



STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING



MICHAEL P. FLANAGAN  
SUPERINTENDENT OF  
PUBLIC INSTRUCTION

JENNIFER M. GRANHOLM  
GOVERNOR

**MEMORANDUM**

**TO:** State Board of Education

**FROM:** Michael P. Flanagan, Chairman

**DATE:** January 30, 2006

**SUBJECT:** Report on Public School Academy Oversight in Michigan

Since the beginning of my tenure, I have been urged to take a broad spectrum of actions regarding public school academies (PSAs), ranging from "claiming my authority" to close authorizers down (thus preventing them from chartering additional schools), to helping "remove the cap" so that additional PSAs can be part of the solution for parents and students in schools not making AYP. Department records indicate that similar courses of action have been urged on the Superintendent's Office for almost the entire ten years of charter school existence.

As we begin to discuss such courses of action, it seems important to know where the Michigan Department of Education's (MDE's) authority lies.

I have asked the Office of School Improvement, which houses our Public School Academy Program, to:

- 1) Prepare a two-page framework, outlining where authority and responsibility lie. (See Attachment A.)
- 2) Examine the range of allegations about PSAs that have been brought to us over time, in the light of that framework. (See Attachment B.) I believe that the framework illustrates how few of these issues rightfully belong on our table. For instance, of the 132 allegations, 25 (19%) are rightfully addressed to MDE/SBE by the framework principles. Of those 25, only six involve questions of fact and all six of those eventually proved untrue. Though we have not identified the sources, you might want to know that 112 (85%) of the allegations over the last seven years have been brought by one citizen.
- 3) Summarize for you how the Department is pursuing the two pieces of authority that do exist in statute:

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- Preparing an annual legislative report that summarizes what is happening with Michigan's charter schools, and making recommendations for legislative changes.
- Satisfying itself about the status of authorizer oversight in the state by piloting an "Assurances and Verification" system that collaborates with authorizers to describe the status of nineteen critical oversight processes as developed by each authorizer. (See Attachment C.)

Authorizer participation with this process is voluntary, since MDE has the authority only to "suspend" their power to authorize when it can be demonstrated that they are not providing proper oversight, not to regulate, dictate, or second-guess oversight mechanisms. However, I am confident that many, if not all, authorizers will join me in making their oversight systems transparent.

You will also find attached for your reference the text of the section from the School Code which governs the establishment of public school academies, from which most of the authority described above is derived. (See Attachment D.)

# Framework for Responsibility and Authority for Michigan Charter Schools

## Authority located OUTSIDE the Michigan Department of Education (MDE):

	Who is Accountable?	What is MDE's role?
<b>Grant or revoke a school's charter contract</b>  Example: Contract differs from Application	Authorizers MCLA 380.502(2)	Review contracts for completeness Assign district/building codes Allocate state aid Rationale: The statute is clear that codes and state aid are automatic for complete contracts.
<b>Ensure the school has governance capacity</b>  Example: Board quorum issues Board appointments Fiscal responsibility	Authorizers appoint/replace Board members MCLA 380.503(4)	Assist people to locate and contact authorizers when issues arise Rationale: The statute clearly places accountability for quality of Board members and their governance upon authorizers.
<b>Ensure the school complies with law</b>  Example: Policies not carried out Open Meetings violations Conflicts of Interest Certificates of Occupancy Church/school links Same gender classrooms	PSA Boards, with authorizer oversight MCLA 380.502(4)	Assist people to locate and contact PSA Boards, and to report allegations to appropriate law enforcement authorities and to authorizers when issues arise Rationale: PSA Boards, like all Michigan school boards are legally responsible for the operational choices of their school. Authorizers have the power to terminate contracts if they determine a school to be noncompliant.

## Authority located INSIDE MDE:

<b>Ensure the school complies with MEAP protocols</b>	MDE's Office of Educational Assessment and Accountability	Investigate allegations of irregularities
<b>Understand how Michigan's experience with charters is going</b>  Example: What oversight exists? What governance exists? What kind of PSAs exist? What students are served? What achievement occurs? What innovation occurs?	State Board reports annually to the Legislature on how roles are working, what results are occurring, what patterns are emerging MCLA 380.501a	Gather data Analyze patterns Make recommendations Rationale: This is MDE's most powerful possible role – to allow the public to see patterns of what happens as all parties carry out current statute. We are most able to carry out this objective reporting role effectively if we hold authorizers solely responsible for existing oversight and to avoid intervening.

<p><b>Ensure that authorizers are carrying out adequate oversight</b></p>	<p>Superintendent of Public Instruction can suspend authorizers' ability to charter additional PSAs. Current contracts remain unaffected. MCLA 380.502(5)</p>	<p>Develop a voluntary "assurances and verification" system by which authorizers' oversight systems are documented and described.</p> <p>Rationale: MDE does not have rule-making authority to establish the criteria and due process by which this suspension would be exercised.</p> <p>Rather than seek such authority, the voluntary system described here allows MDE to consult with authorizers willing to collaborate and to describe to the legislature in the annual report which choose to cooperate and which do not.</p>
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### Authority not clearly located anywhere:

<p><b>Close down PSAs whose contract is ended, and</b></p> <p><b>Ensure that public assets revert to the State Treasurer and that student and business records are safeguarded</b></p>	<p>State Treasurer has the authority to accept assets; No statutory clarity about who has the authority or responsibility to supervise the nonprofit's dissolution and maximize recovery of assets.</p>	<p>Recommend strongly to the legislature that the statute be clarified to assign this responsibility to authorizers.</p> <p>Neither authorizers nor MDE can currently find legal grounds for intervening with an autonomous non-profit Board of Directors, who no longer hold a charter with the authorizer, but who still control assets obtained with public funds. Their responsibility is clear, but there is no agency named to enforce it.</p>
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## Charter School Allegations Brought to MDE

Examined in the Light of the Framework for Responsibility and Authority for Charter Schools

DATE	ALLEGATION	WHO HOLDS AUTHORITY FOR THIS?	WHAT MDE DID/FOUND
4/1/1998	Informational Packet to State Board: CMU's audit revealed questions about 132 teachers' credentials. MDE should investigate - CMU even requested it. There are not enough consequences for authorizers or schools.	MDE issues and checks credentials for teachers. Authorizer ensures that PSAs comply with law.	Office of Professional Preparation Services investigated and reported to the State Board in April that all but five were resolved by complete ID information that allowed them to be located in certification files. The other five were found to be appropriately assigned.
3/31/1999	Comments to Superintendent's Office: Question seriousness of consideration given to the Charter School Oversight Committee's report to the State Board on 2/18/1999.	State Board	Board received the report and transmitted it to authorizers asking for comments. It lists 27 statutory obligations of PSAs and authorizers.
9/8/1999	Informational Packet to MDE: Academy of Inkster and Cherry Hill Academy occupy the same building. Academy of Inkster does not exist.	Authorizer <i>CMU is aware of and satisfied with facility arrangements between two PSAs.</i>	MDE action would be inappropriate.
9/15/1999	Correspondence to CMU: Conner Creek's facilities were illegal during Sept 1999.	Authorizer <i>CMU worked with Conner Creek to correct occupancy problems and is satisfied. (10/99)</i>	MDE action would be inappropriate.
10/6/1999	CMU Charter School Office head signed Conner Creek's final authorization when the contract says that CMU president has sole discretion.	Authorizer <i>CMU's Charter Schools Office has formal delegation of the CMU President's authority to implement University Board action.</i>	MDE action would be inappropriate.
12/15/1999	Warwick Pointe Academy legal, governance, and financial concerns are not adequately being overseen/prevented by CMU in preparation for reauthorization decision.	Authorizer <i>CMU was satisfied by investigation and renewed the contract in 2001 (as Woodland Park Academy).</i>	MDE action would be inappropriate.
1/18/2000	Letter to the State Board of Education: 1) CMU issued a contract to Conner Creek Academy w/o fire and safety approvals. 2) PSA Board is not legal w/o full 5 members. 3) CMU failed to make timely appointments. 4) Articles of Incorporation are "restated" and approved only by 4 members.	Authorizer <i>CMU responded (4/7/00): We have taken action and responded where necessary to the satisfaction of all parties.</i>	Asked CMU to respond and referred the response to the State Board. MDE letter (5/9/00) advised author that CMU has responded to the issues to MDE's satisfaction.

DATE	ALLEGATION	WHO HOLDS AUTHORITY FOR THIS?	WHAT MDE DID/FOUND
4/24/2000	Letter to Auditor General: Author addresses the same issues as 1/18/00 letter regarding Conner Creek Academy.	Auditor General	MDE action would be inappropriate.
5/30/2000	Letter to Atty. General: 1) CMU Contracts are issued in violation of law. 2) Conflicts of interest exist in CMU contracts. 3) Contracts are issued directly to mgmt cos. 4) Conner Creek enrolled students prior to signed contract.	Authorizer <i>Atty. General advised that University response to these concerns is on record. The state has no standing to reverse university decisions about PSAs.</i>	MDE action would be inappropriate.
10/25/2000	Letter to Superintendent and State Board: 1) It is traumatic to have "blundered" and put her daughter in Conner Creek, with 344 others. 2) Superintendent is suppressing WMU/Public Sector report that is critical of charters. 3) MDE's "continuous use" policy is undocumented, thus illegal. 4) Authorizers are doing things wrong (incomplete apps & allowing board vacancies) and should be shut down.	MDE	No written response
10/25/2000	Materials to Assistant Atty. General: 1) Many charters are illegal. 2) Adults involved in PSAs are "not behaving grownup." 3) Something is terribly wrong with this charter school movement.	Authorizers <i>Atty. General advised author to take concerns to authorizers and to focus any complaints on current, specific cases, not past ones or generalized complaints.</i>	MDE action would be inappropriate.
10/25/2000	Teacher X was hired by Conner Creek to replace Teacher Y. Teacher X is not certified.	Authorizer: Ensure PSA complies with the law.	MDE action would be inappropriate.
12/18/2000	The Academy of Detroit West's reauthorization is illegal because dates of signatures are "after the fact."	Authorizer	MDE action would be inappropriate.
3/1/01	It is a conflict of interest for Mosaica to recommend board members for Bay County and Pontiac PSAs.	Authorizer (Bay Mills Community College)	MDE action would be inappropriate.

DATE	ALLEGATION	WHO HOLDS AUTHORITY FOR THIS?	WHAT MDE DID/FOUND
3/12/2001	Letter to State Board President: Board has been under Superintendent's spell - It needs to step up to the plate and hit a grand slam for the kids. Authorizers' application processes are illegal.	State Board	No written response
4/30/2001	Packet to Superintendent's Office: Superintendent (by virtue of his "continuous use" policy) is failing his duty to approve occupancy for all sites by reviewing and signing off on recommendations of Fire Marshall, Health authorities, and Department of Labor and Economic Growth (DLEG).	MDE	MDE's "continuous use" policy was explained, which allowed opening a PSA without re-inspection in a building which had been used as a school within the last year. [Later (10/11/01), the Superintendent ended the continuous use policy without retroactively requiring inspections.]
5/17/2001	Packet "Legalizing Illegal Schools" to State Board of Education: It is a legal loophole to consider PSAs in operation for two years to be presumed to be legal.	Legislature	No written response
6/12/2001	Comments to State Board of Education: 1) CMU has threatened to close a PSA four months into operation. 2) CMU gives longer contracts to PSAs it likes than to those it's worried about. 3) CMU's Director refused to sign paperwork to allow a school to borrow for facilities.	Authorizer	MDE action would be inappropriate.
6/30/2001	Report: The Making of a For-Profit Management Company: 1) It is a conflict of interest for Charter School Administration Services (CSAS) to submit apps for multiple Boards of Directors. 2) A CSAS school temporarily occupied a purchased building to "hold" it as a school so Cherry Hill could open there under "continuous use." 3) The CEO of CSAS has a profit motive.	Authorizers	Superintendent to State Board (7/11/01) and Conner Creek incident (1999) was unfortunate. Other issues are listed for higher priority staff attention. An audit is underway.  MDE letter (8/9/01): The Dept. will continue to improve documentation system and increase authorizer oversight.
8/23/2001	Comments to State Board of Education: Authorizers and for-profit Educational Mgmt. Companies (EMOs) are taking outrageous fees from their PSAs.	Authorizers	MDE action would be inappropriate.

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9/2001	It is a conflict of interest for Hamadeh Educational Services to recommend Board members for Star International and Universal Academies.	Authorizers [Oakland U and Detroit Public Schools (DPS)]	MDE action would be inappropriate.
9/4/2001	Letter to Superintendent: CSAS schools violate Open Meetings Act & FOIA.	Authorizers (CMU/Oakland U)	MDE letter (12/5/05) thanks author for concern, advises that new staff will be hired soon, and recommends attending a McPherson Commission hearing.
12/4/2001	Letter to CMU Board of Trustees: 1) The Board appointment process is irregular. 2) It is a conflict for the mgmt. company to recommend board members. Letter to CMU Provost: 1) Conner Creek's opening was outrageous. Warwick Point and Concord Boyne also lacked adequate oversight and accountability.	Authorizers <i>CMU responded (1/9/02) and advised author that the University is satisfied with due diligence exercised regarding Conner Creek and other PSAs.</i>	MDE action would be inappropriate.
12/28/2001	Letter to Superintendent: 1) Multiple sites are illegal. 2) SVSU allowed Chandler Park to open without proper fire inspection. 3) Mgmt. companies have applied for some charters. 4) SVSU is receiving outrageous fees.	Authorizer (SVSU)	The author has been advised that MDE has asked for an Atty. General opinion regarding whether unduplicated grades at multiple locations constitutes multiple sites. MDE will await opinion before acting. (5/20/02 letter)
1/6/2002	Letter to Superintendent: 1) MDE staff doesn't understand the law (ex: had to teach them about multiple sites). 2) MDE is required by law to do active oversight of authorizers. 3) You <u>can</u> stop state aid. 4) You should hire me or accept me on staff as an "official volunteer" so I can use the department's name to continue my research.	MDE	No written response

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1/7/2002	Letter to Superintendent (as McPherson Commission member): 1) No oversight and accountability exists. 2) Sites have been changed between application and contract. 3) Boards make decisions with less than minimum members appointed.	McPherson Commission	No written response
2/1/2002	Letter to Superintendent: 1) The author will continue to offer free research until MDE creates a position for her. 2) Expert report to Board last Sept. on Universal Academy and Star International was incomplete and unacceptable.	State Board	No written response
3/7/2002	Letter to Superintendent: 1) You are wrong to assert that MDE has limited contract review responsibility. 2) You CAN stop school aid payments. 3) CMU is amending contracts after the fact. 4) PSAs are operating in multiple locations.	MDE	No written response
5/1/2002	PSAs are operating in multiple locations.	Authorizers	MDE letter (5/20/02) advised the author that MDE has asked for an Atty. General opinion regarding whether unduplicated grades at multiple locations constitutes multiple sites. MDE will await the opinion before acting.
5/30/2002	Letter to Superintendent: 1) PSAs should not be allowed to expand w/o proof of improving the education system. 2) CMU has done inferior oversight. 3) The response on multiple sites is unacceptable. 4) It is time to step up to the plate.	Authorizers, Superintendent	No written response
6/12/2002	Letter to SBE President from Senator: Please review constituent's allegations regarding Conner Creek.	Authorizer (CMU)	MDE letter (6/19/00) advises the Senator that MDE is satisfied with CMU's response and does not intend to pursue the matter further.
7/1/2002 and following	The author sent multiple emails to MDE contractor raising issues for inclusion in the report commissioned for the State Board.	MDE	No written response

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7/15/2002	Complaint to PSA Program staff: The DPS chartered schools do not honor DPS' collective bargaining agreement, as required by statute.	Authorizer <i>DPS cites legal opinion that if staffs are hired by mgmt. companies rather than PSA boards, the requirement does not apply (4/22/03).</i>	MDE asked DPS to review the issue and forwarded their response to the author (PSA Staff letter 5/28/03).
7/30/2002	"Evaluation of Reported Facts": 1) CSAS controls the boards of Academy of Inkster and Cherry Hill School of Performing Arts (attaches 12/01 memo to CMU trustees). 2) Board is not legitimate if all seats are not filled. 3) It is a conflict to lease a facility from EMO. 4) Conner Creek and New Beginnings did not advertise open enrollment adequately.	Authorizer	PSA Staff letter (5/28/03) reports 12-day period complies with requirement to advertise; no minimum time period is in current statute.
7/31/2002	Letter to Superintendent: 1) Oak Park and Cherry Hill fail to offer lunch programs. 2) Cherry Hill board was recruited by CSAS.	PSA Board Authorizer (CMU)	MDE letter (9/26/02) replies that lunch programs are not mandated.
8/1/2002	Letter to State Board President: CMU should have its authorizer status revoked, and the Superintendent should be made to assume his responsibility to do so.	MDE	No written response
9/12/2002	Comments to State Board of Education: 1) MDE should educate parents about the perils of charter schools to enlist them as part of the oversight system. 2) MDE should take some of authorizers' 3%.	MDE, Legislature	No written response
9/19/2002	Letter to Superintendent: It is illegal for a school to move after a contract is issued; PSAs should not be allowed to borrow with 30-yr. bonds.	Authorizers	MDE action would be inappropriate.
10/4/2002	Letter to Superintendent: It is illegal for PSA teachers to be hired by an EMO; they must be hired by the Academy's Board.	Authorizers	PSA Staff letter (5/28/03) provides the legal opinion on which DPS relies for its conclusion that contracts are in compliance.
10/17/2002	Letter to PSA Program staff: The Superintendent's interpretation of "single site" is wrong.	Authorizers	No written response

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10/24/2002	Handout to State Board: The Michigan Supreme Court ruled that PSAs are "public" but they are not really.	Legislature, Supreme Court	No written response
12/16/2002	Letter to PSA Program staff: Author refuses to accept September info that school lunch is not mandatory; author provides 1999 document to prove it is required. Also, author reiterates that EMOs are not allowed to prepare charter applications for proposed PSA Boards.	Authorizers	MDE letter (1/27/03) states MDE holds that anyone may apply for a charter; at the point a contract is issued, the entity must be a nonprofit corporation. MDE letter (2/14/03) forwards A.G. staff memo concluding that PSAs are not specifically referenced in the statute requiring lunch for "K to 12" schools.
1/30/2003	Letter to PSA Program staff: Author raises Woodward Academy facility questions.	Authorizer (CMU)	MDE responded (5/28) that CMU is satisfied with the purchase arrangements. The letter also notes MDE finds no evidence to confirm (verbal?) allegations regarding lack of open enrollment ads for two Detroit academies.
3/6/2003	FAX cover to PSA Program staff: Star International has portable classrooms on the property, and there is local opposition to expansion.	Authorizer (Oakland University)	MDE action would be inappropriate.
3/12/2003	Memo to PSA Program staff: Boards appointed by CMU are illegal if they have a vacancy; When CMU sets the size of the board, this requires that all seats be filled.		PSA Program asked MDE's Office of Administrative Law if vacancies render a PSA board "illegal" and prevent it from conducting business. [A.G. Opinion 7155 later determined the board can operate with a quorum of those in office.]
3/20/2003	Email to Superintendent's Office: Author needs to meet with CMU when they come to the Board. Board members do not know the subject enough to know what to ask to expose violations of the law.		MDE e-mail (3/21/03) refers author to State Board office for guidance on best way to communicate with Board members.

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3/27/2003	Informational packet to State Board: 1) Author has concerns about CMU, FSU, GVSU, SVSA, OU and DPS as authorizers. 2) MDE needs more funding. 3) Contracts must match applications and they don't. 4) MDE should take part of authorizers' 3%.	Authorizers Legislature	No written response
4/2/2003	Email to Superintendent: The March 18, 2003 memo to State Board (based on Atty. General Opinion 7126) is in error.	Attorney General	PSAP advised the author that in accordance with Atty. General opinion 7126, MDE will allow unduplicated grades at multiple sites when allowed by authorizer contract (4/15/03 letter).
4/15/2003	FAX cover to PSA Program staff: Michigan Automotive Academy's new site is illegal since it is not included in original application.	Authorizer (CMU)	PSAP response letter (4/15/03) states that MDE understands the authorizing contract to be a flexible document, not bound by the original application.
4/25/2003	Note to PSA Program staff: CMU should not be allowed to spend \$1.3 million to develop oversight and support tools.	Authorizer (CMU)	MDE action would be inappropriate.
5/1/2003	Letter to Attorney General: Author disagrees with MDE's interpretation of Opinion 7126.	Attorney General	MDE action would be inappropriate.
5/22/2003	Packet to State Board of Education: 1) Charter Schools are not accountable. 2) "Charter School Watch" is being formed.	Authorizers	No written response
6/18/2003	Email to PSA Program staff: Authorizers should suffer the consequences of their actions. The State Supt. should talk less and act more. There is no accountability. Author requests to see the justification for funding to pay him/her for working with MDE contractor to summarize his/her issues.	MDE	PSAP staff response email (6/19/03) indicates MDE needs a process and standards for suspension before it can determine whether an authorizer is conducting adequate oversight. Is contracting with Upjohn Institute to recommend process or rules.
7/2/2003	Memo to PSA Program staff: Renaissance, Dearborn, South Arbor and Westland Academies have new board members; they were illegal until this happened. CMU is doing spring cleaning and catching up because the author is researching them.	Authorizer (CMU)	MDE action would be inappropriate.

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7/2/2003	Memo to PSA Program staff: CMU is reauthorizing academies "early." Author is providing a "heads up"; CMU will catch you off your guard.	Authorizer (CMU)	MDE action would be inappropriate.
7/3/2003	South Arbor board is illegal because of vacancies.	Authorizer (CMU)	MDE action would be inappropriate.
7/15/2003	Letter to PSA Program staff: CMU's determination (3/21/03) that the Woodward Academy Board and the property purchase are compliant is unacceptable and evasive. Board is illegal without 5 members.	Authorizer (CMU)	MDE action would be inappropriate. <i>In July 2004, A.G. Opinion 7155 established that PSA boards may make decisions as long as a quorum (majority of directors then in office) is present.</i>
7/22/2003	Letter to Deputy Superintendent: Woodward Academy's deficit elimination plan is illegal with less than 5 members.	Authorizer (CMU)	MDE action would be inappropriate.
7/22/2003	Memo to PSA Program staff: West Michigan Academy of Environmental Science changed mgmt. companies and all new staff took over the building. It is taking too long to get criminal background checks.	Authorizer (CMU)	MDE action would be inappropriate.
7/23/2003	Email to PSA Program staff: Contract amendments should not be verbal. CMU is sloppy about their own procedure.	Authorizer	MDE action would be inappropriate.
7/30/2003	Letter to PSA Program staff: CMU's renewal contract with Central Academy had not been sent to MDE on time and contains items the author questions.	Authorizer (CMU)	PSAP staff requested a CMU response and informed author of the same. The contract is now on file.
8/8/2003	CSAS Board meetings are all taking place in Detroit rather than on-site.	Authorizer (BMCC)	MDE action would be inappropriate.
9/10/2003	Letter to Superintendent and State Board: The contractor report on author's concerns is too grossly unsatisfactory to be improved.	State Board	No written response
9/11/2003	Email to PSA Program staff: CSAS schools all chose Plante & Moran as auditors.	Authorizer <i>CMU responded (9/24/03) for their CSAS schools that selection complies with contractual requirements.</i>	PSAP staff asked CMU to respond to author and passed along conclusion to the author (letter 11/5/03).

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9/22/2003	Email to PSA Program staff: Author raises Beacon Academy issues re: constitution of the Board and facility approvals. FSU acted badly in abrupt discontinuance of the contract just prior to school year.	Authorizer (FSU)	The PSAP staff forwarded concerns to Ferris State University (9/23/03). Staff concluded upon review of FSU response that the decision to terminate was within FSU's authority and reasonable.
9/22/2003 10/3/2003	Email to PSA Program staff: The author does not accept CMU's conclusion regarding CSAS schools' choice of Plante & Moran.	Authorizer (CMU)	MDE letter (9/29/03) informed the author that MDE would continue to accept audits from Plante & Moran, whose work meets or exceeds MDE quality standards.
10/9/2003	Email to Superintendent: Author states the Superintendent/MDE are ignoring the charges of fraud in the charter school system.	Authorizers	MDE letter (10/14/03) responds that MDE takes allegations of fraud very seriously but finds no new evidence of such in recent materials.
10/22/2003	Informational handout to State Board: 1) The DPS authorized schools illegally. 2) Authorizers allow multiple sites. 3) For-profit EMOs apply for charters on behalf of boards yet to be named.	Authorizers	No written response
11/20/2003	Informational handout to State Board: 1) Ferris State University should not have reauthorized Voyageur Academy. 2) Allen Academy's MEAP scores are poor. 3) Annual PSA report is required by law. 4) There are not enough staff in the PSA unit.	Authorizer (Ferris State) MDE	No written response
12/18/2003 2/10/2004	Comments to State Board of Education: Signator was authorized by University Preparatory (UPA) Board to sign contract or amendments with Wayne RESA.	Authorizer (Wayne RESA)	MDE requested Wayne RESA to review. A letter from Wayne RESA's legal counsel (9/03) concluded that the signator was authorized to sign for UPA Board.
2/12/2004 3/26/2004 4/14/2004	Multiple emails to MDE Office of Audits: Author questions CSAS's accounting codes and practices.	Authorizer (CMU)	MDE advised author that MDE needs more info and has a meeting scheduled with CMU and CSAS to discuss.
3/17/04	Multiple emails to MDE Office of Audits: 1) Author questions teacher certification at Academy of Inkster. 2) Author cites pupil count issues at Academy of Inkster.	Authorizer	PSAP staff forwarded author's info to Wayne RESA pupil accounting and to the Office of Professional Preparation Services (3/17 letter).

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4/12/2004	Email to PSA Program staff: Bay Mills' PSAs are illegal because BMCC accepted some info after published application deadline. Author indicates that not specifying final site in application is fatal – app. is illegal.	Authorizer (BMCC)	MDE action would be inappropriate.
4/13/2004	Informational handout to State Board: Crescent Academy's board meeting, though posted, was not welcoming.	Authorizer (BMCC)	MDE action would be inappropriate.
4/14/2004	Email to MDE Office of Audits: 1) Cherry Hill parent can't get tested for special education services. 2) CSAS schools have set up lunch programs without bidding processes.	Authorizer (CMU)	The PSAP Unit forwarded info to the School Lunch program and Special Education staffs.
4/19/04	Email to Superintendent: 1) It is a conflict of interest for an EMO to be hired to prepare application for a charter. 2) PSAs and EMOs share counsel. 3) Bay Mills PSAs violate the Open Meetings Act. 4) Bay Mills isn't following the Council of Authorizers' own standards.	Authorizer (BMCC)	The PSAP Unit asked Bay Mills to investigate (5/24); They found no open meetings violations. MDE so advised author and also noted that MDE recommends separate legal counsel and does not consider it a conflict for a mgmt. company to prepare the application for a school it will be hired to manage.
5/11/2004	Comments to State Board: For-profit EMOs apply for charters on behalf of Boards not yet named. National Heritage Academies (NHA) recovers the costs of its buildings in 4 yrs. CSAS charges exorbitant rent.	Authorizers PSA Boards	No written response
5/31/2004	The author alleges MEAP irregularities at a PSA.	MDE/Office of Educational Assessment and Accountability (OEAA)	An investigation has cleared the PSA.
6/1/2004	Email to Superintendent: It is illegal for Bay Mills to authorize PSAs terminated by GVSU.	Authorizers and their legal counsel	PSAP staff explored this question with the Dept. of Atty. General staff, who advised that they found no statutory prohibition. (A.G. Opinion 7090)
6/4/2004	Email to PSA Program staff: Water French is hiring a consultant even though CMU has denied renewal of contract.	PSA Board	MDE action would be inappropriate.

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6/7/2004	Email to PSA Program staff: The PSA contracts to be issued by Bay Mills have locations different from those in the applications.	Authorizer	MDE action would be inappropriate.
6/8/2004	"Packet of Allegations" to State Board: CMU-authorized schools managed by CSAS are badly managed and taking exorbitant profits for CSAS.	Authorizer	No written response
6/9/2004	Email to PSA Program staff: The Walter French Academy board intends to seek another authorizer after CMU notified them it would not renew their contract.	Academy Board	MDE action would be inappropriate.
6/9/2004	Email to PSA Program staff: 1) Walter French Academy did not have an occupancy permit. 2) CMU closed Walter French Academy without allowing time to make the changes it recommended.	Authorizer	PSAP staff advised the author that the required occupancy permits are in place, and noted that CMU has authority to terminate contract at will. (A.G. Opinion 6956)
7/1/2004	Email to Superintendent and "Additional Info Packets" to State Board: 1) CSAS-managed schools perform poorly. 2) CMU should not be allowed to reauthorize Oak Park and other CSAS-managed schools.	Authorizer	The Superintendent requested a follow-up staff report on charter schools. The response indicated that CMU can extend a contract during phased sanctions. MDE suggested that authorizers limit reauthorizations to a length of time required to be removed from the High Priority list.
7/7/2004	Informational handout to State Board: Walter French should not have been allowed to exist for five years before CMU closed it.	Authorizer (CMU)	MDE action would be inappropriate.
7/8/2004	Letter to Superintendent: The author alleges Open Meetings violations at a PSA.	Authorizer (GVSU)	Prosecutor determined there are no grounds for action.
7/15/2004	Email to Superintendent: Author asks, "What would an authorizer have to do or not do for you to suspend their power to authorize more schools?"	MDE	The PSAP staff advised the author (8/6/04) that no authorizer has failed in oversight sufficiently to warrant suspension. Collaborative partnerships with authorizers and schools and NCLB sanctions provide adequate tools.

DATE	ALLEGATION	WHO HOLDS AUTHORITY FOR THIS?	WHAT MDE DID/FOUND
7/15/2004	Letter to Governor: The author alleges "Wrongful Termination" without due process.	Board Authorizer (GVSU)	The PSAP staff asked the authorizer to investigate, then advised the author (11/19) that MDE is satisfied with GVSU's due diligence.
8/3/2004	Email to Superintendent: 1) Bay Mills allowed a new PSA to begin enrollment before its contract was finalized and then did not issue a contract. 2) The PSA locations must not differ from the application.	Authorizer	The PSAP staff advised the author that Bay Mills holds its own authority to define its authorizing process, including its policy of negotiating locations before issuing a contract. Bay Mills has dealt with its PSA's actions to its satisfaction, and MDE has no standing to overrule them.
8/6/2004	Call to PSA Program staff: CSAS is enriching the organization's CEO at the expense of taxpayers. The author intends to advise reporters.	PSA Boards	MDE action would be inappropriate.
8/10/2004	Comments to State Board of Education: 1) The Academy of Westland is using trailers and in Phase 3 of corrective action. 2) The Academy of Inkster does not use certified teachers and did not make AYP. 3) Cherry Hill spends too much time on "arts" and not enough on hard core subjects.	Authorizer (CMU)	MDE action would be inappropriate.
9/15/2004	Email to Superintendent: USDOE should not have recognized Thomas Gist Academy for 2 yrs of making AYP and being removed from the list of High Priority Schools. MAPSA President should not have been allowed to brag to the State Board about it.	USDOE	The PSAP staff advised the author that USDOE was correct in all its facts, and Thomas Gist does meet their criteria for recognition.
9/21/2004	Email to PSA Program staff: The Thomas Gist Academy should not have made AYP without better 4 <sup>th</sup> grade MEAP scores.	MDE/OEAA	The MEAP office advised the author that the Thomas Gist Academy meets criteria applied to all schools statewide. The AYP depends on the highest grade tested.

DATE	ALLEGATION	WHO HOLDS AUTHORITY FOR THIS?	WHAT MDE DID/FOUND
10/26/2004	Three Oaks Academy board members were replaced by BMCC because they spoke up and were independent.	Authorizer (BMCC) <i>Bay Mills explained that the Board was terminating its EMO with no plan for continuity for enrolled students. BMCC intervened in the interest of the students.</i>	The PSAP staff asked BMCC to explain and provided the explanation to the author (letter 11/4/04).
11/1/2004	Email to Superintendent: 1) Crescent Academy violated the Open Meetings Act. 2) Bay Mills interfered inappropriately with the Crescent Academy board of directors.	Authorizer (BMCC)	The PSAP staff advised the author that Bay Mills found no open meetings violations and that replacing board members is within the authorizers' authority.
11/7/2004	Letter to Governor: The author raises teacher certification issues at a PSA.	MDE Office of Professional Preparation (OPP)	A desk audit (and later site visit after continued letters) found no violations.
11/9/04	"Informational Packet" to State Board: 1) Bay Mills PSAs violate Open Meetings Act. 2) It is "criminal" for Bay Mills to charter PSAs at sites different from those in the apps. 3) Bay Mills violated its own policies. 4) Bay Mills PSAs did not incorporate in time.	Authorizer (BMCC)	The PSAP staff requested BMCC investigation, and reported to the Board on 12/14 that none of these allegations are substantiated.
11/11/2004	Email to Superintendent: 1) Bay Mills and Helicon told a PSA to "be careful" when responding to the author's FOIA requests. 2) Crescent Academy board cannot get financial info from Helicon.	PSA Board, Authorizer (BMCC)	MDE action would be inappropriate.
11/29/04	Email to MDE Office of Audits: Author poses financial questions about Crescent Academy.	Authorizer (BMCC)	The PSAP staff requested the author to communicate concerns to BMCC.
12/29/04	Email to PSA Program staff: The author inquires if a PSA may have a bank account for state aid which has no board member as a signator (EMO handling the funds as the agent).	Authorizer	An MDE e-mail (1/4/05) advised the author that the answer depends on the facts of a given case. Persons with first-hand information should bring it forward.

DATE	ALLEGATION	WHO HOLDS AUTHORITY FOR THIS?	WHAT MDE DID/FOUND
1/13/2005	Email to Office of School Improvement: 1) Author writes that schools change locations during the organizing and application process; it's too hard to find open meetings during this period. 2) It is not "competitive" to allow applicants to modify proposals.	Authorizers	An MDE letter to the author (1/25/05) offered to web-post information voluntarily provided by authorizers about such Open Meetings postings. Bay Mills sent information, but withdrew permission before it was posted when the author made a (false) police complaint against its PSA for Open Meetings Act violations.
1/24/2005	Letter to PSA Program staff: The author alleges that attendance books were altered and funds misappropriated. A conflict of interest exists on the Board.	Authorizer (CMU)	The PSAP advised the author (2/25/05) that Macomb ISD is conducting a financial audit; the authorizer is satisfied that the potential for conflict is appropriately managed.
3/8/2005	Comments to State Board of Education: The Detroit School of Industrial Arts (DSIA) expanded under CMU's authorization, but no contract amendment have been submitted.	Authorizer (CMU)	No written response
3/15/2005	Comments to State Board of Education: 1) DSIA's expansion to a new site is illegal, since amendment was not filed timely with MDE. 2) DSIA's new campus has sometimes referred to itself as a separate PSA (Valor). 3) The two campuses are too far away to fit under one charter. 4) The new campus is ineligible for a planning grant, as it is an expansion.	Authorizer (CMU)	MDE issued a new building code to the new site upon verbal assurance from CMU that outstanding issues did not materially affect the authorizer's intent to amend. The amendment is now filed with MDE. Valor's planning grant award was contingent on receipt of a new charter, which was denied, so the planning grant will not be made.
3/22/2005	Call to PSA Program staff: PSA is operating a "latchkey" program without required licensure.	Board Authorizer (BMCC)	The PSAP staff alerted the authorizer, who investigated and reported that a tutoring program should be licensed. Final approval for license is pending.
4/12/2005	Informational handout to State Board: The Michigan Alliance for Charter School Reform (MACSR) has incorporated.	MACSR	No written response
4/12/2005	Phone call to PSA Program staff: Sheriff complains that PSA high school staff don't have good control of students, leading to incidents in the vicinity.	Board Authorizer (CMU)	The PSAP staff advised the caller to contact the PSA Board president as a first step in resolution; if caller is still not satisfied, please contact the authorizer.

DATE	ALLEGATION	WHO HOLDS AUTHORITY FOR THIS?	WHAT MDE DID/FOUND
4/22/2005	Email to PSA Program staff: Author indicates Pupil Accounting concerns regarding possible double-counting of students in shared-time program.	Authorizer (CMU)	The PSAP staff alerted the authorizer, who worked with RESA and the PSA to correct reporting between two sites of same school.
5/10/2005	Comments to State Board of Education: The recent annual legislative report is too broad to be useful in analyzing individual PSAs - the recommendations should be included, not separate.	State Board	No written response
5/23/2005	Letter to PSA Program staff: Author indicates budget and financial irregularities at a PSA.	Board Authorizer (CMU)	The PSAP staff alerted the Office of Audits and the authorizer, who asked the Academy Board for a formal response and later reported themselves satisfied.
6/16/2005	Phone call to PSA Program staff: Unsuccessful bidder alleges that a PSA board lacked due process in the selection of an EMO.	Board Authorizer (SVSU)	The PSAP staff asked the authorizer to review the complaint; SVSU's conclusion was passed along to the caller that the authorizer does not believe the charge is true, and that even if it were, the school code does not require competitive bidding for services.
6/28/2005	Phone call to PSA Program staff: The caller indicates a PSA did not promote daughter to next grade level; the mother is unsatisfied with Board's response to her complaint.	Board Authorizer (BMCC)	PSAP staff advised the caller that MDE action would be inappropriate and provided her with authorizer contact information.
6/30/2005	Email to Deputy Superintendent: The author alleges irregularities in MEAP administration at the Detroit Edison Public School Academy.	MDE/OEAA	No written response [An investigation has cleared the PSA.]
7/29/2005	Email to State Board President: 1) MDE staff is incompetent and tells people different things over the phone when I'm listening in the next cubicle. 2) EMOs should not be allowed to submit names to authorizers for Board nominations. 3) Contracts differ from applications. 4) If EMO-managed PSA closes, its assets would not revert to state.	MDE for 1 Authorizers for 2,3,4	No written response

DATE	ALLEGATION	WHO HOLDS AUTHORITY FOR THIS?	WHAT MDE DID/FOUND
8/1/2005	Email to Superintendent: The author writes that not enough public info is available on PSAs opening this fall. Parents and districts need more notice, beyond Open Meeting requirements.	PSA Boards	Superintendent letter (8/30/05) offers to have PSA Program staff update webpage info on new PSAs more frequently during summer months when openings are likely.
8/16/2005	Email to State Board President: Per the author, National Heritage Academies (NHA) operated its "Valor campus" under one charter last year, then a new PSA managed by NHA opened on the same site.	Authorizer	PSAP staff advises the author that the actions she lists are not illegal, even though potentially confusing to parents and observers.
8/25/2005	Email to PSA Program staff: Ex-staff member alleges that PSA is misrepresenting itself on EdYES report card self-assessment.	Board Authorizer	PSAP staff asked the author to identify self or school so that OEAA staff can inquire.
8/28/2005	MDE webmail referred to PSA Program staff: PSA is charging for its latchkey program at the local YMCA.	Board Authorizer (CMU)	PSAP staff advised the author that after-school services can be charged for.
9/1/2005	Email to Superintendent: MAPSA's website is misleading to suggest that ISDs have any oversight of PSAs.	Michigan Association of Public School Academies (MAPSA)	Worked with MAPSA to clarify which lines represent reporting only, not oversight.
9/27/2005	MDE Student Issues call: Parent alleges that if a student is late for school, the gates are locked, creating a safety issue for children.	Board Authorizer (CMU)	PSAP staff alerted the authorizer who investigated and reported that unannounced visits confirm school's contention that doors are open; all late students now come through a single door. The PSA did send some late students home without parental notice for one day, but policy is now revised to CMU's satisfaction.
9/27/2005	Field Services report to PSA Program staff: PSA has been unresponsive to a request for records from an area high school that has accepted a transfer student.	Board Authorizer (CMU)	By 10/19, the records had been sent.
10/4/2005	Email to PSA Program staff: 1) Charles Drew Academy is in conflict; the Board has the same attorney as Helicon. 2) The Open Meetings notice is not sufficient for new schools and must go further.	Authorizer (CMU)	PSAP staff checked with Helicon and CMU and advised the author that there are separate attorneys. (letter 10/11/05)

DATE	ALLEGATION	WHO HOLDS AUTHORITY FOR THIS?	WHAT MDE DID/FOUND
10/11/2005	Handout to State Board members: The original purposes of PA 362 of 1994 are not being fulfilled by charter schools; the annual report should address this.	MDE prepares the annual report	No written response
10/20/2005	Email to Superintendent: Author states that a recent meeting was dismissive and that the Superintendent underestimates the author. Nobody at MDE has given the author the courtesy of meeting to discuss the completed research.	Superintendent	An MDE email (11/17/05) by the Superintendent states that he found the 1 hr., 20 min. meeting productive, and has asked MDE staff to prepare for a State Board agenda item, probably in January.
10/31/2005	Letter and packet to State Board members: Author alleges that authorizers support EMOs over best interest of students; authorizers are untrustworthy. 1) EMOs took control of schools over the wishes of some founders. 2) EMOs prepare charter applications and recommend potential board members. 3) Authorizers approve incomplete apps. 4) Boards operate with vacancies below authorizer's specified minimum. 5) PSA Boards meet before contracts are signed. 6) PSA Boards have posted notices and met at EMO offices rather than on PSA location. 7) Authorizers allow PSAs to change locations from their original application. 8) Conflict of interest for CMU Director to sit on MAPSA Board with EMO owners. 9) Reauthorized PSAs have not met academic goals. 10) A for-profit EMO is embezzling. 11) Bay Mills has contracted with for-profit Quality Performance Resource Group (QPRG) to monitor its schools. 12) The 3% fee to authorizers is unreasonable.	Authorizers	No written response

DATE	ALLEGATION	WHO HOLDS AUTHORITY FOR THIS?	WHAT MDE DID/FOUND
11/15/2005	Handout to State Board members: EMOs prepare apps and propose board members for new PSAs; this is a conflict.	Authorizers	No written response
11/22/2005	Letter to "Teacher Complaints Dept": An anonymous PSA teacher alleges sexual harassment by another teacher.	Board Authorizer	The PSAP staff advised the author that MDE is unable to follow up on anonymous complaints.
11/30/2005	Phone call to PSA Program staff: A mother believes her son's suspension is racially discriminatory and is considering legal action.	Board Authorizer (CMU)	The PSAP staff has alerted the authorizer and learned from the authorizer that the Board has been aware of a carefully documented process leading to suspension and expects to be able to justify their action in court, if necessary.
12/6/2005	Letter to PSA Program staff: The author alleges that PSA staff violates health and hygiene rules for food service.	Board Authorizer (CMU)	The PSAP staff alerted the authorizer, who reported (1/17) that it is satisfied with the board's response, which will include closer oversight of the EMO personnel.
12/13/2005	Handout to State Board members: 1) Michigan has more university authorizers. 2) More Michigan PSAs hire EMOs. 3) For-profit EMOs have questionable relationships with authorizers. 4) EMOs prepare applications and propose board members for new PSAs. 5) Detroit has lost \$140m to PSAs. 6) Board should not allow for-profit EMOs.	Legislature (statutory structure)	No written response
1/9/2006	Request to Deputy Superintendent: FOIA request for information regarding OEAA investigation of MEAP irregularities in a PSA.	MDE (OEAA)	A 1/10 conversation clarified that the investigation cleared the PSA of wrongdoing.

Date: December 16, 2005  
 To: Yvonne Caamal Canul  
 From: Joann Neuroth  
 Subject: Update on Pilot of "Assurances and Verification" system

### **Design:**

In order to systematize its "oversight of overseers" function, MDE has developed – and pilot tested with six authorizers to date – an "assurances and verification" system under which authorizers are asked to describe and classify the processes by which they oversee 19 critical features of the PSAs under their care. The 19 processes include:

	Statutory Reference
<b>AUTHORIZING AND CONTRACTING</b>	
1.1 Issuing charters	MCLA Section 380.503(1)
1.2 Ensuring nonprofit incorporation	380.502(1)
1.3 Ensuring timely document submission	380.503(3)
1.4 Contracting for educational goals and assessment	380.503(5)b
1.5 Managing revocations and non-renewals	380.503(5)f
1.6 Conducting oversight visits	380.501a
<b>PSA GOVERNANCE</b>	
2.1 Appointing Board members	380.503(4)
2.2 Ensuring compliance with all applicable law	380.503(5)
2.3 Ensuring Board governance policies	
2.4 Ensuring open application processes for PSAs	380.504(3)
2.5 Ensuring arms' length relationships with ESPs	
2.6 (For LEAs): Honoring collective bargaining agreements	380.503(5)e
<b>FACILITIES</b>	
3.1 Ensuring single site requirement is met	380.504(1)
3.2 Ensuring occupancy and facility approvals	388.855a
<b>QUALITY OF LEARNING</b>	
4.1 Measuring student academic achievement against goals	380.503(5)b
4.2 Ensuring certified teachers with background checks	380.505(1)(2)
<b>FINANCIAL ACCOUNTABILITY</b>	
5.1 Ensuring annual financial audits and reasonable response to exceptions	380.503(5)h
5.2 Determining financial stability	380.503(5)b
5.3 Identifying related-party transactions and fair market value	

### **Implementation:**

For each process, the authorizer uses consistent definitions to describe whether the process is: *Complete, Well-documented, Used Consistently, and/or Continuously Improving.*

MDE staff then schedules a “verification visit” to determine that practices in use actually correspond to the descriptions. MDE staff drafts a feedback report which uses the authorizer’s self-descriptions coupled with MDE observations for each of the nineteen systems. Authorizer and MDE discuss the draft till they are mutually satisfied that it represents their views fairly, and the report is sent by Public School Academy staff to the Authorizer to document the visit.

**Pilot Status:**

To date, MDE has conducted six pilot visits with university, community college, ISD and LEA authorizers. More visits are scheduled. Authorizers are concerned not to set a precedent that implies that they cede any authority over their authorizing processes to MDE, but are cautiously willing to make their systems (along with MDE’s feedback) public in the spirit of transparency and public information.

In general, the visits have identified authorizers whose systems surpass expectations, and others for whom improvements become evident during the discussion. Several have documented such improvements since the visits.

# THE REVISED SCHOOL CODE (EXCERPT)

## Act 451 of 1976

### PART 6A

#### Public School Academies

##### Sec. 501

(1) A public school academy is a public school under section 2 of article VIII of the state constitution of 1963, is a school district for the purposes of section 11 of article IX of the state constitution of 1963 and for the purposes of section 1225 and section 1351a, and is subject to the leadership and general supervision of the state board over all public education under section 3 of article VIII of the state constitution of 1963. A public school academy is a body corporate and is a governmental agency. The powers granted to a public school academy under this part constitute the performance of essential public purposes and governmental functions of this state.

(2) As used in this part:

(a) "Authorizing body" means any of the following that issues a contract as provided in this part:

(i) The board of a school district that operates grades K to 12.

(ii) An intermediate school board.

(iii) The board of a community college.

(iv) The governing board of a state public university.

(b) "Certificated teacher" means an individual who holds a valid teaching certificate issued by the superintendent of public instruction under section 1531.

(c) "Community college" means a community college organized under the community college act of 1966, 1966 PA 331, MCL 389.1 to 389.195, or a federal tribally controlled community college that is recognized under the tribally controlled community college assistance act of 1978, Public Law 95-471, 92 Stat. 1325, and is determined by the department to meet the requirements for accreditation by a recognized regional accrediting body.

(d) "Contract" means the executive act taken by an authorizing body that evidences the authorization of a public school academy and that establishes, subject to the constitutional powers of the state board and applicable law, the written instrument executed by an authorizing body conferring certain rights, franchises, privileges,

and obligations on a public school academy, as provided by this part, and confirming the status of a public school academy as a public school in this state.

(e) "Entity" means a partnership, nonprofit or business corporation, labor organization, or any other association, corporation, trust, or other legal entity.

(f) "State public university" means a state university described in section 4, 5, or 6 of article VIII of the state constitution of 1963.

Sec. 501a.

Not later than 1 year after the effective date of this section, and at least annually thereafter, the state board shall submit a comprehensive report, with findings and recommendations, to the house and senate committees on education. The report shall evaluate public school academies generally, including, but not limited to, an evaluation of whether public school academies are fulfilling the purposes specified in section 511(1). The report also shall contain, for each public school academy, a copy of the academy's mission statement, attendance statistics and dropout rate, aggregate assessment test scores, projections of financial stability, and number of and comments on supervisory visits by the authorizing body.

Sec. 502.

(1) A public school academy shall be organized and administered under the direction of a board of directors in accordance with this part and with bylaws adopted by the board of directors. A public school academy corporation shall be organized under the nonprofit corporation act, Act No. 162 of the Public Acts of 1982, being sections 450.2101 to 450.3192 of the Michigan Compiled Laws, except that a public school academy corporation is not required to comply with sections 170 to 177 of Act No. 327 of the Public Acts of 1931, being sections 450.170 to 450.177 of the Michigan Compiled Laws. To the extent disqualified under the state or federal constitution, a public school academy shall not be organized by a church or other religious organization and shall not have any organizational or contractual affiliation with or constitute a church or other religious organization.

(2) Any of the following may act as an authorizing body to issue a contract to organize and operate 1 or more public school academies under this part:

(a) The board of a school district that operates grades K to 12. However, the board of a school district shall not issue a contract for a public school academy to operate outside the school district's boundaries, and a public school academy authorized by the board of a school district shall not operate outside that school district's boundaries.

(b) An intermediate school board. However, the board of an intermediate school district shall not issue a contract for a public school academy to operate outside the intermediate school district's boundaries, and a public school academy authorized

by the board of an intermediate school district shall not operate outside that intermediate school district's boundaries.

(c) The board of a community college. However, except as otherwise provided in this subdivision, the board of a community college shall not issue a contract for a public school academy to operate in a school district organized as a school district of the first class, a public school academy authorized by the board of a community college shall not operate in a school district organized as a school district of the first class, the board of a community college shall not issue a contract for a public school academy to operate outside the boundaries of the community college district, and a public school academy authorized by the board of a community college shall not operate outside the boundaries of the community college district. The board of a community college also may issue a contract for not more than 1 public school academy to operate on the grounds of an active or closed federal military installation located outside the boundaries of the community college district, or may operate a public school academy itself on the grounds of such a federal military installation, if the federal military installation is not located within the boundaries of any community college district and the community college has previously offered courses on the grounds of the federal military installation for at least 10 years.

(d) The governing board of a state public university. However, the combined total number of contracts for public school academies issued by all state public universities shall not exceed 85 through 1996, and, after the initial evaluation under section 501a, shall not exceed 100 through 1997, 125 through 1998, or 150 thereafter. Further, the total number of contracts issued by any 1 state public university shall not exceed 50 through 1996, and thereafter shall not exceed 50% of the maximum combined total number that may be issued under this subdivision.

(3) To obtain a contract to organize and operate 1 or more public school academies, 1 or more persons or an entity may apply to an authorizing body described in subsection (2). The application shall include at least all of the following:

(a) Identification of the applicant for the contract.

(b) Subject to the resolution adopted by the authorizing body under section 503(4), a list of the proposed members of the board of directors of the public school academy and a description of the qualifications and method for appointment or election of members of the board of directors.

(c) The proposed articles of incorporation, which shall include at least all of the following:

(i) The name of the proposed public school academy.

(ii) The purposes for the public school academy corporation. This language shall provide that the public school academy is incorporated pursuant to this part and that the public school academy corporation is a governmental entity.

- (iii) The name of the authorizing body.
- (iv) The proposed time when the articles of incorporation will be effective.
- (v) Other matters considered expedient to be in the articles of incorporation.
- (d) A copy of the proposed bylaws of the public school academy.
- (e) Documentation meeting the application requirements of the authorizing body, including at least all of the following:
  - (i) The governance structure of the public school academy.
  - (ii) A copy of the educational goals of the public school academy and the curricula to be offered and methods of pupil assessment to be used by the public school academy. To the extent applicable, the progress of the pupils in the public school academy shall be assessed using at least a Michigan education assessment program (MEAP) test or an assessment instrument developed under section 1279 for a state-endorsed high school diploma.
  - (iii) The admission policy and criteria to be maintained by the public school academy. The admission policy and criteria shall comply with section 504. This part of the application also shall include a description of how the applicant will provide to the general public adequate notice that a public school academy is being created and adequate information on the admission policy, criteria, and process.
  - (iv) The school calendar and school day schedule.
  - (v) The age or grade range of pupils to be enrolled.
  - (f) Descriptions of staff responsibilities and of the public school academy's governance structure.
  - (g) For an application to the board of a school district, an intermediate school board, or board of a community college, identification of the local and intermediate school districts in which the public school academy will be located.
  - (h) An agreement that the public school academy will comply with the provisions of this part and, subject to the provisions of this part, with all other state law applicable to public bodies and with federal law applicable to public bodies or school districts.
  - (i) For a public school academy authorized by a school district, an assurance that employees of the public school academy will be covered by the collective bargaining agreements that apply to other employees of the school district employed in similar classifications in schools that are not public school academies.

(j) A description of and address for the proposed physical plant in which the public school academy will be located.

(4) An authorizing body shall oversee, or shall contract with an intermediate school district, community college, or state public university to oversee, each public school academy operating under a contract issued by the authorizing body. The oversight shall be sufficient to ensure that the authorizing body can certify that the public school academy is in compliance with statute, rules, and the terms of the contract.

(5) If the state board finds that an authorizing body is not engaging in appropriate continuing oversight of 1 or more public school academies operating under a contract issued by the authorizing body, the state board may suspend the power of the authorizing body to issue new contracts to organize and operate public school academies. A contract issued by the authorizing body during the suspension is void. A contract issued by the authorizing body before the suspension is not affected by the suspension.

(6) An authorizing body shall not charge a fee, or require reimbursement of expenses, for considering an application for a contract, for issuing a contract, or for providing oversight of a contract for a public school academy in an amount that exceeds a combined total of 3% of the total state school aid received by the public school academy in the school year in which the fees or expenses are charged. An authorizing body may provide other services for a public school academy and charge a fee for those services, but shall not require such an arrangement as a condition to issuing the contract authorizing the public school academy.

(7) A public school academy shall be presumed to be legally organized if it has exercised the franchises and privileges of a public school academy for at least 2 years.

Sec. 503.

(1) An authorizing body is not required to issue a contract to any person or entity. Public school academy contracts shall be issued on a competitive basis taking into consideration the resources available for the proposed public school academy, the population to be served by the proposed public school academy, and the educational goals to be achieved by the proposed public school academy.

(2) If a person or entity applies to the board of a school district for a contract to organize and operate 1 or more public school academies within the boundaries of the school district and the board does not issue the contract, the person or entity may petition the board to place the question of issuing the contract on the ballot to be decided by the school electors of the school district. The petition shall contain all of the information required to be in the contract application under section 502 and shall be signed by a number of school electors of the school district equal to at least 15% of the total number of school electors of that school district. The petition shall be filed with the school district filing official. If the board receives a petition meeting the requirements of this subsection, the board shall have the question of issuing the

contract placed on the ballot at its next regular school election held at least 60 days after receiving the petition. If a majority of the school electors of the school district voting on the question vote to issue the contract, the board shall issue the contract.

(3) Within 10 days after issuing a contract for a public school academy, the authorizing body shall submit to the superintendent of public instruction a copy of the contract and of the application under section 502.

(4) An authorizing body shall adopt a resolution establishing the method of selection, length of term, and number of members of the board of directors of each public school academy subject to its jurisdiction.

(5) A contract issued to organize and administer a public school academy shall contain at least all of the following:

(a) The educational goals the public school academy is to achieve and the methods by which it will be held accountable. To the extent applicable, the pupil performance of a public school academy shall be assessed using at least a Michigan education assessment program (MEAP) test or an assessment instrument developed under section 1279.

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

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

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

(e) For a public school academy authorized by a school district, an agreement that employees of the public school academy will be covered by the collective bargaining agreements that apply to employees of the school district employed in similar classifications in schools that are not public school academies.

(f) Procedures for revoking the contract and grounds for revoking the contract, including at least the grounds listed in section 507.

(g) A description of and address for the proposed physical plant in which the public school academy will be located.

(h) Requirements and procedures for financial audits. The financial audits shall be conducted at least annually by a certified public accountant in accordance with generally accepted governmental auditing principles.

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

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

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

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

(d) 1965 PA 166, MCL 408.551 to 408.558.

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

(7) A public school academy and its incorporators, board members, officers, employees, and volunteers have governmental immunity as provided in section 7 of 1964 PA 170, MCL 691.1407. An authorizing body and its board members, officers, and employees are immune from civil liability, both personally and professionally, for an act or omission in authorizing a public school academy if the authorizing body or the person acted or reasonably believed he or she acted within the authorizing body's or the person's scope of authority.

(8) A public school academy is exempt from all taxation on its earnings and property. Instruments of conveyance to or from a public school academy are exempt from all taxation including taxes imposed by 1966 PA 134, MCL 207.501 to 207.513. A public school academy may not levy ad valorem property taxes or another tax for any purpose. However, operation of 1 or more public school academies by a school district or intermediate school district does not affect the ability of the school district or intermediate school district to levy ad valorem property taxes or another tax.

(9) A public school academy may acquire by purchase, gift, devise, lease, sublease, installment purchase agreement, land contract, option, or by any other means, hold and own in its own name buildings and other property for school purposes, and interests therein, and other real and personal property, including, but not limited to, interests in property subject to mortgages, security interests, or other liens, necessary or convenient to fulfill its purposes. For the purposes of condemnation, a public school academy may proceed under the uniform condemnation procedures act, 1980 PA 87, MCL 213.51 to 213.75, excluding sections 6 to 9 of that act, MCL 213.56 to 213.59, or other applicable statutes, but only with the express, written permission of the authorizing body in each instance of condemnation and only after just compensation has been determined and paid.

Sec. 503a.

If a school district or intermediate school district applies for and obtains a contract to operate 1 or more public school academies under this part, the power of the school district or intermediate school district to levy taxes for any purpose under this act is not affected by the operation of a public school academy by the school district or intermediate school district. Revenue from taxes levied by a school district or intermediate school district under this act or bonds issued by a school district or intermediate school district under this act may be used to support the

operation or facilities of a public school academy operated by the school district or intermediate school district in the same manner as that revenue may be used under this act by the school district or intermediate school district to support school district or intermediate school district operations and facilities. This section does not authorize a school district or intermediate school district to levy taxes or to issue bonds for any purpose that is not otherwise authorized under this act.

Sec. 503b.

(1) An agreement, mortgage, loan, or other instrument of indebtedness entered into by a public school academy and a third party does not constitute an obligation, either general, special, or moral, of this state or an authorizing body. The full faith and credit or the taxing power of this state or any agency of this state, or the full faith and credit of an authorizing body, may not be pledged for the payment of any public school academy bond, note, agreement, mortgage, loan, or other instrument of indebtedness.

(2) This part does not impose any liability on this state or on an authorizing body for any debt incurred by a public school academy.

Sec. 504.

(1) A public school academy may be located in all or part of an existing public school building. A public school academy shall not operate at a site other than the single site requested for the configuration of grades that will use the site, as specified in the application required under section 502 and in the contract.

(2) A public school academy shall not charge tuition and shall not discriminate in its pupil admissions policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude, status as a handicapped person, or any other basis that would be illegal if used by a school district. However, a public school academy may limit admission to pupils who are within a particular range of age or grade level or on any other basis that would be legal if used by a school district.

(3) Except for a foreign exchange student who is not a United States citizen, a public school academy shall not enroll a pupil who is not a resident of this state. Enrollment in the public school academy may be open to all individuals who reside in this state who meet the admission policy and shall be open to all pupils who reside within the geographic boundaries, if any, of the authorizing body as described in section 502(2)(a) to (c) who meet the admission policy, except that admission to a public school academy authorized by the board of a community college to operate, or operated by the board of a community college, on the grounds of a federal military installation, as described in section 502(2)(c), shall be open to all pupils who reside in the county in which the federal military installation is located. For a public school academy authorized by a state public university, enrollment shall be open to all pupils who reside in this state who meet the admission policy. If there are more applications to enroll in the public school academy than there are spaces available, pupils shall be selected to attend using a

random selection process. However, a public school academy may give enrollment priority to a sibling of a pupil enrolled in the public school academy. A public school academy shall allow any pupil who was enrolled in the public school academy in the immediately preceding school year to enroll in the public school academy in the appropriate grade unless the appropriate grade is not offered at that public school academy.

(4) A public school academy may include any grade up to grade 12 or any configuration of those grades, including kindergarten and early childhood education, as specified in its contract. If specified in its contract, a public school academy may also operate an adult basic education program, adult high school completion program, or general education development testing preparation program. The authorizing body may approve amendment of a contract with respect to ages of pupils or grades offered.

Sec. 504a.

In addition to other powers set forth in this part, a public school academy may take action to carry out the purposes for which it was incorporated under this part, including, but not limited to, all of the following:

- (a) To sue and be sued in its name.
- (b) Subject to section 503b, to acquire, hold, and own in its own name real and personal property, or interests in real or personal property, for educational purposes by purchase, gift, grant, devise, bequest, lease, sublease, installment purchase agreement, land contract, option, or condemnation, and subject to mortgages, security interests, or other liens; and to sell or convey the property as the interests of the public school academy require.
- (c) To receive, disburse, and pledge funds for lawful purposes.
- (d) To enter into binding legal agreements with persons or entities as necessary for the operation, management, financing, and maintenance of the public school academy.
- (e) To incur temporary debt in accordance with section 1225.
- (f) To solicit and accept any grants or gifts for educational purposes and to establish or permit to be established on its behalf 1 or more nonprofit corporations the purpose of which is to assist the public school academy in the furtherance of its public purposes.
- (g) To borrow money and issue bonds in accordance with section 1351a and in accordance with part VI of the revised municipal finance act, 2001 PA 34, MCL 141.2601 to 141.2613, except that the borrowing of money and issuance of bonds by a public school academy is not subject to section 1351a(4) or section 1351(2) to (4). Bonds issued under this section shall be full faith and credit obligations of the

public school academy, pledging the general funds or any other money available for such a purpose. Bonds issued under this section are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

Sec. 504b.

If a public school academy is operated by a school district that is subject to a court desegregation order, pupil selection at the public school academy is subject to that order

Sec. 505.

(1) Except as otherwise provided by law, a public school academy shall use certificated teachers according to state board rule.

(2) A public school academy operated by a state public university or community college may use noncertificated individuals to teach as follows:

(a) If the public school academy is operated by a state public university, the public school academy may use as a classroom teacher in any grade a faculty member who is employed full-time by the state public university and who has been granted institutional tenure, or has been designated as being on tenure track, by the state public university.

(b) For a public school academy operated by a community college, the public school academy may use as a classroom teacher a full-time member of the community college faculty who has at least 5 years' experience at that community college in teaching the subject matter that he or she is teaching at the public school academy.

(c) In any other situation in which a school district is permitted under this act to use noncertificated teachers.

(3) A public school academy may develop and implement new teaching techniques or methods or significant revisions to known teaching techniques or methods, and shall report those to the authorizing body and state board to be made available to the public. A public school academy may use any instructional technique or delivery method that may be used by a school district.

Sec. 505a.

The board of a school district may grant a charter to an eligible entity for a chartered educational clinic. The application requirements and procedures for such a contract for a chartered educational clinic are the same as for a contract for another public school academy. A chartered educational clinic is a specialty public school academy and shall only serve public school pupils described in this section during hours outside the pupil's normal class hours by providing special assistance for up to 3 hours per week, pursuant to a written prescription by the principal of the public school in which the pupil is regularly enrolled on recommendation of a

teacher of the pupil. A public school pupil enrolled in grades K-12 who is in educational difficulty or is at risk of falling seriously behind other pupils of his or her age level, of not being advanced in grade level, or of dropping out or being expelled from school may be served by a chartered educational clinic.

Sec. 506.

A public school academy, with the approval of the authorizing body, may employ or contract with personnel as necessary for the operation of the public school academy, prescribe their duties, and fix their compensation.

Sec. 507.

(1) The authorizing body for a public school academy is the fiscal agent for the public school academy. A state school aid payment for a public school academy shall be paid to the authorizing body that is the fiscal agent for that public school academy, which shall then forward the payment to the public school academy. An authorizing body has the responsibility to oversee a public school academy's compliance with the contract and all applicable law. A contract issued under this part may be revoked by the authorizing body that issued the contract if the authorizing body determines that 1 or more of the following has occurred:

(a) Failure of the public school academy to abide by and meet the educational goals set forth in the contract.

(b) Failure of the public school academy to comply with all applicable law.

(c) Failure of the public school academy to meet generally accepted public sector accounting principles.

(d) The existence of 1 or more other grounds for revocation as specified in the contract.

(2) The decision of an authorizing body to revoke a contract under this section is solely within the discretion of the authorizing body, is final, and is not subject to review by a court or any state agency. An authorizing body that revokes a contract under this section is not liable for that action to the public school academy, public school academy corporation, a pupil of the public school academy, the parent or guardian of a pupil of the public school academy, or any other person.