

Legislative Analysis



RELIGIOUS EDUCATIONAL COLLEGES OPERATED FOR DENOMINATIONAL PURPOSES

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House Bill 6014

Sponsor: Rep. Kevin Elsenheimer

House Bill 6015

Sponsor: Rep. Scott Hummel

House Bill 6016

Sponsor: Rep. Brian Palmer

Committee: Higher Education and Career Preparation

Complete to 5-22-06

A SUMMARY OF HOUSE BILLS 6014 - 6016 AS INTRODUCED 4-27-06

The bills would amend various acts to exempt from state regulations certain educational corporations organized and operated by an ecclesiastical or religious order, society, corporation, or by a church where control is retained for denominational purposes. The bills are tie-barred to each other so that none could go into effect unless all are enacted into law. A more detailed explanation follows.

House Bill 6014 would amend Public Act 327 of 1931(MCL 450.171 et al), the Michigan General Corporation Act, which deals with the organization, regulation, and classification of corporations.

Currently under the law, *an educational corporation* is classified in one of several ways—class W, X, or Y (named from the subsections of the law)—depending upon their amount of capital. However, the classification also includes Class Z: educational corporations "instituted and maintained by any ecclesiastical or religious order, society, corporation, or corporations, retaining control of such institution for denominational purposes." House Bill 6014 would reorganize this definition of Class Z, defining the Class Z category as an educational corporation organized and operated by any ecclesiastical or religious order, society, corporation or corporations, or by a church, that retains control of the institution for denominational purposes. (The underlined words are added.)

Currently the law specifies that the General Corporation Act does not limit or restrict the rights, powers, privileges, immunities, or practices of any church, and it also specifies that the provisions of the act relating to ecclesiastical corporations must be liberally constructed in the interest of religion and morality. Senate Bill 6014 would add language to specify that the act does not limit or interfere with the ability of a church to form and operate a Class Z educational institution or program or to grant a degree, diploma, or certificate.

Currently under the law, every educational corporation, before being authorized to file its articles, is required to present a written statement to the Michigan Corporation and Securities Commission from the State Board of Education that confirms its facilities, degree programs, staffing, and available capital. Under House Bill 6014, this confirmation would apply only to classes W, X, and Y, and not to class Z, and the filing would be with the Department of Labor and Economic Growth.

Currently under the law, a Class Z educational corporation has all the privileges provided under Classes W, X, and Y, on the condition that the Class Z corporation satisfies the requirements specified in the law, including capital requirements. Under House Bill 6014, a Class Z educational corporation would have all the privileges of other corporations, but would not need to meet the requirements of the other classes of institution.

House Bill 6015 would amend Public Act 148 of 1943 (MCL 395.101a), which provides for the regulation and licensing of proprietary schools in Michigan to amend the definition of "proprietary school" to specify that a Class Z educational corporation is not a proprietary school.

Currently under the law, the definition of "proprietary school" means a school that uses a certain plan or method to teach a trade, occupation, or vocation for a consideration, reward, or promise of whatever nature. Proprietary school includes, but is not limited to, a private business, trade, or home study school. Proprietary school does *not* include the following: a school or college possessing authority to grant degrees; a school licensed by law through another board of this state; and a school maintained or a program conducted, without profit, by a person for that person's employees. House Bill 6015 would retain all of these provisions, and add *a college or other educational institution or program classified as a Class Z educational corporation under section 171(1) of 1931 PA 327, MCL 450.171*.

House Bill 6016 would amend Public Act 142 of 1964 (MCL 390.771 et al), which authorizes the State Department of Education to provide minimum requirements for non-incorporated privately operated higher education institutions, to revise the definition of "unincorporated private institution." Under the bill, that term would not include an educational institution formed under the General Corporation Act, including but not limited to, an educational institution or program classified as a Class Z educational corporation.

FISCAL IMPACT:

This bill would have no significant fiscal impact on state or local government.

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