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BILL



ANALYSIS

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House Bill 4369 (Substitute S-3 as passed by the Senate)

Sponsor: Representative Lisa Lyons

House Committee: Education

Senate Committee: Education

Date Completed: 2-4-14

CONTENT

The bill would amend the Revised School Code to do the following:

- **Prohibit an order to place a public school in the State school reform/redesign (SSRR) school district from being issued before January 1, 2015, and from taking effect before July 1, 2015.**
- **Require the SSRR officer to place the highest priority on addressing unsatisfactory results in schools with students in grades K to 8, in determining whether a redesign plan was achieving satisfactory results.**
- **If the "restart model" were imposed on a school in the SSRR district, require the SSRR officer to enter into a contract with an educational management corporation to manage the school (as currently required) or require the school to be operated by another public school under contract with the SSRR district.**
- **Include a public body authorized to perform the functions of the SSRR district as a "school district" and include its governing body as a "school board" in Section 1225 (which allows schools to borrow money and issue notes, and pledge State school aid payments for repayment).**

The Code establishes the SSRR district as a body corporate and a governmental agency. The SSRR is a school district for the purpose of receiving State school aid. The SSRR consists of schools that are placed under it by the SSRR officer, who acts as the superintendent of the SSRR district.

Each year, the Superintendent of Public Instruction must publish a list of schools that the Department of Education has determined to be among the lowest-achieving 5% of public schools in the State, and issue an order to place the listed schools under the supervision of the SSRR officer. Generally, the school board or board of directors of each school must submit a redesign plan to the officer for approval. If the plan is not offered, not approved, or not achieving satisfactory results, the officer must issue an order placing the school in the SSRR district.

The bill would establish a temporary moratorium against placing schools within the SSRR district. The SSRR officer could not issue an order placing a school within the SSRR district before January 1, 2015, and such an order could not take effect until July 1, 2015. In determining whether a redesign plan was achieving satisfactory results, the SSRR officer would have to place the highest priority on addressing unsatisfactory results in schools with students in grades K to 8.

If a school is placed within the SSRR district, the SSRR officer must impose one of four intervention models listed in the Code. The models include the "restart model", which is

based on compliance with provisions for school improvement grants from the Federal government.

If the SSRR officer imposes the restart model, he or she must enter into an agreement with an educational management organization to manage and operate the school. Under the bill, if a restart model were imposed, either the SSRR officer would have to enter into such an agreement, *or* the school would have to be operated by another public school that was authorized to provide public educational services under a contract with the SSRR district.

Currently, if a school on the list of the lowest-achieving schools is operated by a district in which an emergency manager is in place, the Superintendent of Public Instruction may not place the school under the supervision of the SSRR officer. Under the bill, this provision would not prevent a public school from entering into an agreement or cooperative arrangement with the SSRR district.

Section 1225 allows a school board or intermediate school board to borrow money and issue notes of the school district for the borrowed money to secure funds to pay for school operations or to pay previous loans for school operations. The school board must pledge money it will receive from State school aid to repay the notes.

Under the bill, as used in Section 1225, "school district" would include a public body authorized to perform the functions and responsibilities of the SSRR district and eligible to receive a per-pupil allocation for pupils in membership in a public school operated or authorized by the public body as calculated under Section 20 of the State School Aid Act, as long as the Department of Treasury determined that the public body is subject to the Freedom of Information Act and the Open Meetings Act, has a conflict of interest policy in place for board members and supervisors of the public body, has annual financial audits, follows generally accepted accounting principles (GAAP) for government entities, and has a website on which it discloses its annual budget. "School board" would include the governing body of such a public body.

The bill states that, upon enactment, it could not be construed or considered to supersede, alter, or terminate a contract for the transfer of functions and responsibilities under Public Act 8 of 1967 (Ex Sess) to which the SSRR district was a party on the bill's effective date. (Generally, that Act authorizes political subdivisions to enter into contracts that provide for the transfer of functions or responsibilities between them.)

MCL 380.1225 & 380.1280c

BACKGROUND

The Education Achievement Authority is a public body corporate that was established in 2011 under an interlocal agreement between the Board of Regents of Eastern Michigan University and the School District for the City of Detroit. The Authority presently operates 15 schools in the City of Detroit.

The Education Achievement Authority currently has a contract with the SSRR district to operate any schools placed within the SSRR district. Under the contract, the Authority has all of the powers and responsibilities of the SSRR District. The Authority also has powers and responsibilities of the SSRR officer as specified in the contract, which generally include evaluating school performance, imposing intervention models, acting as the superintendent of the SSRR district, spending funds, entering into contracts regarding school operations, amending contracts, and terminating existing contracts. The contract, which was entered into under Public Act 8 of 1967 (Ex Sess), is effective from November 10, 2011, through November 10, 2026.

FISCAL IMPACT

The bill would have an impact on the State to the extent additional schools (and their staff) were to leave the Michigan Public School Employees' Retirement System (MPERS) and no longer contribute toward the unfunded accrued liabilities in MPERS, the cost of which would then be made up by the School Aid Fund. These additional schools would be the ones on which the restart model was imposed and that were then operated by another public school under contract with the SSRR district (which would be a new option under the bill). However, no additional schools could be placed in the school reform/redesign district until July 1, 2015, so any fiscal impact would not occur until then.

The bill also would have an impact on the SSRR district and any public body authorized to perform the functions and responsibilities of the SSRR district, such as the Education Achievement Authority, by allowing such entities to borrow money and issue notes using the State aid anticipation notes process under Section 1225, if it were found that the public body was subject to the Freedom of Information Act and the Open Meetings Act, had a sufficient conflict of interest policy in place, had annual financial audits, followed GAAP, and had a website on which it disclosed its annual budget.

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