



Senate Fiscal Agency  
P.O. Box 30036  
Lansing, Michigan 48909-7536

## BILL ANALYSIS



Telephone: (517) 373-5383  
Fax: (517) 373-1986

Senate Bills 943 and 944 (as introduced 6-26-24)  
Sponsor: Senator Dayna Polehanki (S.B. 943)  
Senator Rosemary Bayer (S.B. 944)  
Committee: Education

Date Completed: 11-11-24

**CONTENT****Senate Bill 944 would amend the Revised School Code to do the following:**

- Apply current provisions regarding financial disclosures for public school academies (PSAs), schools of excellence, and urban high school academies to strict discipline academies.
- Require a management agreement entered or renewed after the bill's effective date to include provisions requiring an educational management organization to annually provide to a charter school's board of directors an audited financial statement and a description of each fringe benefit included in an employee, officer, or board member's compensation package if that individual made over \$100,000 per year.
- Require this information to be made publicly available on a charter school's website.

**Senate Bill 943 would amend the State School Aid Act to do the following:**

- Require a school district or intermediate school district (ISD) to make available on its public website audited financial statements provided by an educational management organization, detailed accountings provided by the authorizing body of a charter school concerning expenditures, information required by Senate Bill 944, and notices of noncompliance with applicable education standards, guidelines, or rules.
- Remove a provision allowing the Department of Education (MDE) to withhold up to 10% of the total State school aid due to a school district or ISD if the district or ISD fails to comply with these disclosure requirements.

Each bill would take effect 90 days after its enactment.

**Senate Bill 944**

The Code allows an authorizing body to contract with an interested person or entity for the creation of one or more PSAs, schools of excellence, strict discipline academies, or urban high school academies. As these schools are created by *charter* contracts, they are referred to as charter schools. (For more information, see **BACKGROUND**).

Currently, if the board of directors of a PSA, school of excellence, or urban high school academy enters into or renews a management agreement with an education management organization to carry out the operations of the charter school, the Code provides that the management agreement must include a requirement that the education management organization provide to the board of directors at least annually all the same information that

a school district is required to disclose for the most recent school fiscal year for which information is available.<sup>1</sup> (For specifics, see **Senate Bill 943**). Within 30 days after receiving this information, the board of directors of the PSA, school of excellence, or urban high school academy must make it available through a link on the charter school's website homepage, in a form and manner prescribed by the MDE. The bill would apply these provisions to strict discipline academies.

Additionally, under the bill, if the board of directors of a PSA, school of excellence, urban high school academy, or strict discipline academy entered or renewed a management agreement with an educational management organization to carry out the operations of the charter school after the bill's effective date, the following would apply to that management agreement:

- The management agreement would have to include a requirement that the educational management organization provide to the board of directors, at least annually, audited financial statements for the educational management organization that disclosed the specific financial expenditures of the money received by the educational management organization under the management agreement.
- The management agreement would have to include a requirement that the educational management organization provide to the board of directors, for each employee, officer, or board member of the educational management organization whose compensation exceeded \$100,000 per year, a list providing a description and cost of each fringe benefit that was included in the individual's compensation package.

Within 30 days after receiving this information, the board of directors of a PSA, school of excellence, urban high school academy, or strict discipline academy would have to make this information and other information provided by the management agreement available through a link on the charter school's website homepage, in a form and manner prescribed by the MDE.

### **Senate Bill 943**

Among other things, the State School Aid Act requires a school district or intermediate school district (ISD) to adopt an annual budget. Within 15 days after a district board adopts its annual operating budget for the following school fiscal year, or after a district board adopts a revision to that budget, the district must make certain financial information public through a link on its website homepage. This information must include the district or ISD's annual operating budget and subsequent budget revisions, a summary of personnel costs and other expenditures, the annual amount spent on lobbying or lobbying services, and more.

The bill would require a district or ISD to make the following information publicly available in addition to that already required:

- Audited financial statements provided by an educational management organization that had a management agreement with the district, if applicable, and the statements would have to disclose the specific financial expenditures of the money received by the educational management organization under the management agreement.
- A detailed accounting provided to the district by the authorizing body of all fees, reimbursements, or other charges collected or retained by, and all expenditures made by, the district's authorizing body for the current fiscal year, including an itemized list of use and purpose, if applicable.

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<sup>1</sup> Generally, a school's fiscal year begins July 1 and ends June 30 of the following year.

- If applicable, the information required to be provided by an educational management organization (see **Senate Bill 944**).
- Copies of any letters or other notices received by the district indicating noncompliance with a standard, guideline, or rule of the State Board of Education, Superintendent of Public Instruction, MDE, or, if applicable, authorizing body.

Currently, if a district or ISD fails to comply with these requirements, the MDE may withhold up to 10% of the total State school aid due to the district or ISD, beginning with the next payment and until the district or ISD complies. If the district or ISD fails to comply by the end of the fiscal year, the district or ISD forfeits the amount withheld. The bill would remove these provisions.

MCL 388.1618 (S.B. 943); 380.503c et al. (S.B. 944)

### **PREVIOUS LEGISLATION**

*(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)*

Senate Bill 943 is similar to Senate Bill 674 of the 2017-2018 Legislative Session. Senate Bill 944 is a reintroduction of Senate Bill 675 of the 2017-2018 Legislative Session.

### **BACKGROUND**

Generally, the board of a school district, the board of an intermediate school district, the board of a community college, the board of a public university in the State, or two or more of these bodies under an interlocal agreement may serve as an authorizing body for a PSA, school of excellence, or strict discipline academy. An urban high school academy may *only* be authorized by the board of a State public university. The Code requires the Superintendent of Public Instruction to approve a school of excellence if the proposed school is modelled on a high-performing school or program. An authorizing body may operate a school of excellence as a cyber school if the school's education management organization demonstrates experience in delivering a quality education program that improves pupil academic achievement, among other requirements. The Code allows for the creation of up to 15 cyber schools of excellence. Additionally, a PSA that demonstrates superior academic performance may be converted to a school of excellence. Strict discipline academies are established to serve suspended, expelled, or incarcerated young people.

Legislative Analyst: Abby Schneider

### **FISCAL IMPACT**

Senate Bill 943 could have a negative fiscal impact on the State and a positive fiscal impact on affected districts, PSAs, and ISDs. Currently, if an entity does not comply with the reporting requirements under MCL 388.1618(2), the MDE may withhold up to 10% of the total State school aid until the entity complies with the reporting requirement. If the entity does not comply by the end of the fiscal year, the withheld funds are forfeited. The bill would remove the penalty. If an entity did not comply with the reporting requirements, it would no longer have State school aid withheld, resulting in increased funding to the entity, and increased expenses to the State. The bills would have a fiscal impact on the MDE and a minor fiscal impact on charter schools. The bills would increase costs to the MDE to collect and report the information provided by charter school academies and education management organizations. The MDE's Fiscal Year 2024-25 budget includes \$150,000 to maintain a charter school transparency database.

Fiscal Analyst: Ryan Bergan; Cory Savino, PhD

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.