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BILL ANALYSIS



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Senate Bill 620 (Substitute S-8 as reported by the Committee of the Whole)
Sponsor: Senator Dave Robertson
Committee: Education

CONTENT

The bill would add Part 6D to the Revised School Code to provide for the organization and administration of conversion schools, which would be public schools previously operated by a school district and converted under a contract issued by an authorizing body. The bill would do the following:

- Allow a public school operated by a school district to be converted to and operated as a conversion school pursuant to a parental petition under Section 1280c (described below).
- Allow a school to be converted only if it were among the lowest-achieving 5% of all public schools in the State.
- Require an application to convert a school to be submitted to authorizing body (the board of a school district, an intermediate school board, a community college board, or the governing board of a State public university; two or more of those entities acting jointly under an interlocal agreement; or any of those entities acting jointly with the school district that previously operated the public school).
- Provide that a school board, intermediate school board, or community college could not issue a contract for a conversion school to operate outside the boundaries of the district.
- Specify provisions that a contract would have to contain, including the school's educational goals and the methods that would be used to hold the school accountable.
- Require the goals to include making measurable progress toward academic achievement for all groups of pupils, toward average attendance of at least 80%, and toward a high school graduation rate of at least 80%.
- Provide that an initial contract could not exceed five years from the beginning of the school year when the school was to start operating.
- Require a conversion school to use certificated teachers except as provided for a school authorized by a university or community college.
- Require a conversion school to be located within the same attendance area of the school district that previously operated the school, and permit the conversion school to be located at the building that was converted.
- Require a school district to lease a school building to a conversion school for \$1 per year, if the building were used for classroom instruction.
- Allow an authorizing body to revoke a conversion school's contract under certain circumstances and to take corrective measures to avoid revocation.
- Require revocation if a conversion school were among the lowest-achieving schools in the State after operating for at least four years, and other conditions were met.
- Require the State School Reform/Redesign Officer to implement a new restructuring model in the school building if, at the time of revocation, the school were among the lowest-achieving schools in the State and had been in continuous operation in the same building as occupied by the school that was converted.
- Allow an authorizing body to charge a fee of up to 3% of a conversion school's total State school aid for overseeing the school's contract.
- Prohibit a conversion school from levying any taxes, but specify that a school district's operation of a conversion school would not affect the district's ability to levy taxes.

- Prohibit a conversion school from charging tuition or discriminating in its pupil admissions.
- Allow a conversion school to limit admission to pupils within a particular age range or grade level, but require it to include all of the grades offered before the conversion.

The bill would amend Section 1280c of the Code, which pertains to the lowest-achieving 5% of all public schools in the State, to do the following:

- Require a school board to notify the parent or legal guardian of each enrolled pupil within seven days after a public school was placed under the supervision of the State School Reform/Redesign Officer (SRRO) because it was one of those schools.
- Within 90 days after a school was placed under the supervision of the SRRO, allow a parental petition to be submitted to the Department of Education recommending a single school intervention model to be implemented for the school in a redesign plan.
- Require the Department to take certain actions if the petition were signed by at least 60% of the eligible parents or guardians of pupils at the school, or by at least 51% of the eligible parents or guardians plus at least 60% of the eligible teachers.
- Require the school board to work with the SRRO to implement the recommended intervention model if it were a restructuring model other than the restart model.
- Allow the parents and legal guardians to apply for a contract to operate the public school as a conversion school as provided in Part 6D, if the recommended intervention model were the restart model; and require other measures to be taken if an application for a contract were not submitted or a contract were not issued.
- Provide that the SRRO could not place a public school in the State School Reform/Redesign school district until five years had expired, if a school board implemented the intervention model recommended in a parental petition or if a contract to operate the school as a conversion school were obtained.

The bill also would include a school operated by a conversion school corporation in the Code's definition of "public school", and would include a conversion school in the definition of "public school academy".

MCL 380.3 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

State: Unless the conversion of existing schools into "conversion schools" resulted in a net increase in student enrollment (which would result in increased State costs), there would be no fiscal impact on the State under this legislation.

Local: For each local school building that was reorganized as a conversion school, the district in which that school building was a part would see a reduction in revenue, unless the district were the authorizing body of the conversion school. In instances where the authorizing body was not the local district, the reduction in revenue would be equal to the number of students previously enrolled in the school building that converted, multiplied by the district's foundation allowance. Clearly, then, the new conversion school would be the recipient of that revenue, less a 3% administrative oversight fee paid to the authorizer.

A conversion school would have a comparative advantage over other districts because of the \$1 rent charged for the school building, as required by the legislation. In most, if not all other instances, the cost for school buildings in both local districts and public school academies exceeds \$1. Public school academies pay for buildings out of their operating funds; local districts may ask for locally voted millage to raise revenue for buildings, or pay for them out of operating funds. Either way, the costs typically exceed \$1, and therefore the low cost of rent for a conversion school would give it a comparative advantage through lower infrastructure costs. In addition, if the conversion school building were still being paid off from a bond election, the district in which that building is located would remain responsible for paying off those bonds.

Also, employees of a conversion school would not be part of the collective bargaining agreements in place for other employees in the district. This would allow the board of the conversion school to set wages and benefits at levels other than those specified by existing collective bargaining agreements. There would be a fiscal impact if the wages and benefits offered to employees at the conversion school differed from those in place before the school was converted. In addition, conversion schools not authorized by local districts could use noncertificated teachers, which, depending on the wages and benefits offered, could have fiscal implications when compared to the hiring of certificated teachers.

Finally, employees at the conversion schools would not be part of the Michigan Public School Employees' Retirement System (MPERS). Each time membership within that system declines (due to privatization, retirements, conversion schools, etc.), the cost of the existing accrued unfunded liabilities is spread among remaining payrolls of all participating entities, and the contribution percentages remitted by the remaining payrolls increase. Therefore, the resulting fiscal implications are not uniform. Districts where school buildings were converted would see a relative gain compared to districts without conversions (by losing payroll subject to MPERS retirement contribution rates). Again, the unfunded liabilities are a fixed number, to be paid off by spreading the cost over total payroll. When MPERS payroll declines in a nonuniform fashion, entities or their payrolls remaining in the system will be adversely affected by having to pay for the liabilities that were stranded by the payrolls that exited the system.

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