

Legislative Analysis



PROPRIETARY SCHOOL: ALLOW TO CHARGE FOR GOODS/SERVICES PERFORMED BY STUDENTS

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Senate Bill 786

Sponsor: Sen. Alan Sanborn

House Committee: Regulatory Reform

Senate Committee: Economic Development and Regulatory Reform

Complete to 12-8-09

A SUMMARY OF SENATE BILL 786 AS PASSED BY THE SENATE 10-27-09

The bill would amend Public Act 148 of 1943, which regulates proprietary schools, to rename it the "Proprietary Schools Act." The bill also would allow a proprietary school to sell goods produced or services provided by a student enrolled in an educational program operated by a proprietary school – and the department could not refuse to grant a temporary permit or license to a proprietary school solely because the school operates that educational program – if certain conditions were met.

The bill would prohibit a person from operating a proprietary school within the state without a temporary permit or license from the Department of Energy, Labor, or Economic Growth. The department would have to prescribe the form of temporary permit and license. A limited liability company (LLC) would be added to the current definition of "person" contained in the act; therefore, the act would also apply to a proprietary school owned by an LLC.

Further, the bill would make numerous changes of a technical nature (e.g., replacing references to the Board of Education with references to the Department of Energy, Labor, and Economic Growth, to reflect the shift of regulatory duties from the former to the latter several years ago by Executive Order).

License cycles. Currently, a license issued to a proprietary school is valid for not more than one year. The bill would instead specify that a proprietary school accredited by a national or regional accrediting agency recognized by the U.S. Secretary of Education would be valid for three years. A license issued to any other proprietary school would not be valid for more than one year. Whether under a one-year or a three-year license, the license fee would be paid annually as set by the department.

Goods and services by students. Currently, the act prohibits the department from granting a temporary permit or a license to operate a proprietary school as part of, or in conjunction with, another business or commercial enterprise that utilizes or sells goods or services provided by students. The bill would retain this provision.

However, it would allow a proprietary school to sell goods produced or services provided by a student enrolled in an educational program operated by a proprietary school – and

the department could not refuse to grant a temporary permit or license to a proprietary school solely because the school operates that educational program – if all of the following were met:

- The program included classroom study and practical training.
- Any practical training included faculty supervision.
- Engaging in producing the goods or providing the services as part of the student's training is an integral part of the program.
- Any customer purchasing goods produced or services provided by a student in the program was notified that those goods or services are produced or provided by a student of the school.
- The price paid by the customer does not exceed the proprietary school's actual and reasonable costs of producing the goods or providing the services, plus an additional nominal amount.

MCL 395.101 et al.

FISCAL IMPACT:

The bill would have no fiscal impact on the state or local units of government.

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