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Senate Bill 786 (as introduced 9-9-09)

Sponsor: Senator Alan Sanborn

Committee: Economic Development and Regulatory Reform

Date Completed: 10-12-09

CONTENT

The bill would amend Public Act 148 of 1943, which provides for the regulation and licensure of proprietary schools, to do the following:

- -- Transfer regulatory responsibility for proprietary schools from the State Board of Education to the Department of Energy, Labor, and Economic Growth (DELEG).
- -- Provide for a license issued to a proprietary school to be valid for three years, rather than one year, if the school were accredited.
- -- Allow proprietary schools to sell goods produced or services provided by students, if certain criteria were met.

The bill also would name the Act the "Proprietary Schools Act".

Transfer of Regulatory Responsibility

<u>DELEG Powers & Duties</u>. The Act prohibits the issuance of a license until the applicant has operated under a temporary permit in a manner satisfactory to the State Board of Education and until the Board approves the method and content of advertising, the standards and the methods of instruction, the personnel, and the operating and instructional practices of the school. The bill would refer to DELEG rather than the Board in those provisions.

Under the bill, DELEG, rather than the Board, could grant and renew a temporary permit to operate a school. The Department, rather than the Board, would have to do all of the following:

- -- Provide for adequate inspection of schools.
- -- Promulgate rules and employ personnel necessary to administer the Act.
- -- Set and collect fees for licenses, temporary permits, and renewals issued under the Act.
- -- Exercise jurisdiction and control over proprietary schools and solicitors for them, consistent with the Act.

<u>Schools' Responsibilities</u>. A proprietary school would have to do both of the following with respect to DELEG, rather than to the Board:

- -- Submit required reports and make records available.
- -- Provide evidence of surety conditioned to provide indemnification to students in the event of the school's closing.

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Licensure

The Act requires a proprietary school to secure from the Board a license issued in the form prescribed by the Board and in accordance with the Act. Under the bill, instead, a person could not operate a proprietary school in Michigan without a temporary permit or license from DELEG. The Department would have to prescribe the form of license and temporary permit.

The Act provides that a license issued under it is not valid for more than one year. If the applicant continues to comply with the Act and the rules promulgated under it, the license may be renewed. Under the bill, instead, a license issued to a proprietary school that was 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. A proprietary school that was issued either a one-year or a three-year license would have to pay an annual license fee set by DELEG. The Department could renew the license of a person that continued to comply with the Act and its rules.

The Act allows the Board to revoke a license at any time if, in the Board's judgment, the licensee is not complying with the law or rulings of the Board. The bill would refer to DELEG, rather than the Board, in this provision.

Sale of Goods or Services Provided by Students

Under the bill, a proprietary school could sell goods produced or services provided by a student enrolled in an educational program operated by the school, and DELEG could not refuse to grant a temporary permit or license to a proprietary school solely because the school operated that educational program, if all of the following were met:

- -- The program included classroom study and practical training.
- -- A faculty member supervised any practical training included in the program.
- -- It was an integral part of the program that the student engaged in producing the goods or providing the services as part of his or her practical training.
- -- Any customer purchasing goods produced or services provided by a student in the program was notified that the individual producing the goods or providing the services was a student of the school.
- -- The price paid by the customer did not exceed the proprietary school's actual and reasonable costs of producing the goods or providing the services, plus an additional nominal amount.

MCL 395.101-395.102b

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

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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.