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

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 618 (Substitute S-1 as reported)
Sponsor: Senator Phil Pavlov
Committee: Education

CONTENT

The bill would amend the Revised School Code to do the following with respect to public school academies (PSAs), urban high school academies, and schools of excellence (SOEs):

-- Delete numerical and geographical limits on the issuance of contracts for PSAs, urban high school academies, and SOEs.
-- Allow two or more authorizing bodies to issue a contract for a PSA or an SOE under an interlocal agreement.
-- Require educational goals to include demonstrated pupil academic achievement for all groups of pupils.
-- Permit contracts for the operation of the same configuration of age or grade levels at more than one site.
-- Delete requirements for a PSA or SOE to comply with a school district's collective bargaining agreement.
-- Exempt property of a PSA, urban high school academy, or SOE from real and personal property taxes.
-- Require enrollment at a PSA or an SOE authorized by a community college to be open to all pupils in the State meeting the admission policy.
-- Require a petition to be signed by at least 5%, rather than 15%, of the electors in a school district, in order to place the question of issuing a PSA or SOE contract on the ballot.
-- Revise provisions concerning the responsibilities of an authorizing body and the revocation of a contract.

The bill also would allow the board of a school district to contract with a person or entity to furnish qualified teachers, and would require a contract to include specific assurances.

The bill is tie-barred to Senate Bills 619, 620, and 621. Senate Bill 619 would amend the Code to delete the limit on the number of cyber schools that may be formed, and revise requirements for cyber schools. Senate Bill 620 would amend the Code to provide for the formation of "conversion schools". Senate Bill 621 would make changes in the State School Aid Act concerning the provision of State aid for the instruction of nonpublic students by public schools.

MCL 380.501 et al. Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

State – State costs could increase in the short term if the removal of various restrictions and caps on the numbers of various forms of charter schools (public school academies, urban high school academies, and schools of excellence) led to the creation of more charter schools. When a new charter school opens, the formula to pay for the first two years that the school is open typically yields a slightly higher pupil membership count than the blending formula used for older charter schools and local districts, which in turn means somewhat higher foundation allowance costs for the State. The magnitude would depend upon the additional charter schools that would open as a result of this bill, and the number of pupils enrolled.

The bill also would have a fiscal impact by exempting from taxation real and personal property at charter schools. The bill would reduce State and local revenue by an unknown amount that would depend on the number of properties affected as well as their specific characteristics. Any reduction in revenue from mills levied for school operating purposes by local schools would require increased expenditures from the School Aid Fund if per-pupil funding guarantees were to be maintained or, when combined with the reduced revenue from the State Education Tax, would require per-pupil funding guarantees to be less than they would be absent the bill.

<u>Local</u> - The bill would remove assurances that employees of a public school academy or a school of excellence authorized by a school district be covered by the collective bargaining agreement of the district. This would allow the PSA or SOE 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 these district-authorized PSAs or SOEs differed from those in place at the district. In addition, the bill would allow PSAs and SOEs "authorized" (rather than "operated") by a community college or university to use noncertificated teachers in certain situations; depending on the wages and benefits offered, this could result in fiscal implications when compared with the hiring of certificated teachers. This last change is likely technical in nature, since universities and community colleges do not operate charter schools, but do authorize them.

The bill could result in some efficiencies at the charter school level by allowing for one charter agreement to be issued for multiple sites covering the same grades, where current law requires separate charter agreements. The legislation does propose some additional reporting requirements, however, which could lead to some additional administrative costs.

Finally, by allowing local school districts to contract for teachers, rather than directly employing them as required under current law, the bill could have fiscal impacts at the local level. There would be a fiscal impact if the wages and benefits offered to contracted teachers differed from those in place before the teaching staff was contracted, or from the levels that would otherwise be offered if the teachers were directly employed.

In addition, if teachers were contracted out, it appears they would no longer be part of the Michigan Public School Employees' Retirement System (MPSERS). 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 that privatized teachers would see a relative gain compared with districts that did not (by losing payroll subject to MPSERS retirement contribution rates). Again, the unfunded liabilities are a fixed number, to be paid off by spreading the cost over total payroll. When MPSERS 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.

Date Completed: 9-30-11 Fiscal Analyst: Kathryn Summers

<u>Floor\sb618.</u>
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.