

Legislative Analysis



ELIMINATE THIRD GRADE READING RETENTION PROVISION OF REVISED SCHOOL CODE

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4020 as introduced
Sponsor: Rep. Nate Shannon
Committee: Education
Revised 2-28-23

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4020 would amend section 1280f of the Revised School Code to eliminate provisions that, with some exceptions, require students who are not reading at a second-grade level¹ by the end of third grade to be held back in third grade for the following school year. The bill also would remove related notification and reporting requirements. It would retain other provisions currently in effect relating to students who are not reading at grade level, such as specific supports schools are required to offer to those students.

Currently under the law, to advance to the fourth grade, a third-grade student must demonstrate proficiency through a qualifying score on the state standardized language arts assessment, on an alternate standardized assessment, or through a pupil work portfolio that demonstrates proficiency through multiple work samples. Children younger than 10 years old who would be enrolled in a public school or public school academy (PSA, or charter school) for the first time at the fourth grade also must meet this level of reading proficiency to be enrolled at that grade. The bill would eliminate these requirements.

To aid a student in reaching the required level of reading proficiency, schools are required to create a reading plan that outlines steps to be taken and supports offered to the student that will aid them in reaching that level. The bill would retain provisions relating to these supports, although it would remove references and notifications relating to retention.

MCL 380.1280f

BACKGROUND:

The requirement that students not reading at a second-grade level by the end of their third-grade academic year must be held back in third grade was added by 2016 PA 306. While the retention provision officially went into effect for students enrolled in the third grade during the 2019-20 school year, students did not take the M-STEP in 2020 due to the COVID-19 pandemic. As a result, the retention provision was delayed and did not go into effect until the 2020-21 school year, when M-STEP testing resumed.

¹ Beginning on page 11 of the state's English Language Arts grade level standards: https://www.michigan.gov/-/media/Project/Websites/mde/Literacy/Content-Standards/ELA_Standards.pdf?rev=0f76588bc2bd48f89165484fa35d2b31

Based on student performance in the 2021-22 school year, a total of 545 students² were held back in third grade (meaning that those students started the current school year repeating the third grade) due to the provisions of the “Read by Grade 3” law.

However, based on student test results, more than 90% of students who were eligible under the law for retention in third grade were promoted to the fourth grade based on one of five good-cause exemptions currently provided in law. Those exemptions are:

- The student is a student with an individualized education program or with a section 504 plan and the student’s individualized education program team or section 504 coordinator, as applicable, makes the decision to exempt the student from the retention requirement based upon the team’s or coordinator’s knowledge of the student.
- The student is a limited English proficient student who has had less than three years of instruction in an English language learner program.
- The student has received intensive reading intervention for two or more years but still demonstrates a reading deficiency and was previously retained in kindergarten, first grade, second grade, or third grade.
- The student has been continuously enrolled in their current school district or PSA for less than two years and there is evidence that they were not provided with an appropriate individual reading improvement plan when they displayed a reading deficiency in a grade prior to third grade by the school district or PSA where they were previously enrolled.
- The student’s parent or legal guardian has requested a good-cause exemption within the allotted time period and the school superintendent or chief administrator, or their designee, determines that the exemption is in the best interests of the student.

FISCAL IMPACT:

House Bill 4020 would reduce costs for the state and could reduce costs for local school districts and PSAs.

MDE and CEPI

The Michigan Department of Education (MDE) and CEPI would realize reduced costs from the bill’s removal of the following requirements:

- MDE must provide CEPI with grade 3 assessment scores for every grade 3 pupil.
- CEPI must, via certified mail, notify parents of pupils identified as one or more grade levels behind on the state English Language Arts assessment.
- CEPI must create and retain an annual retention report from each district and PSA.

MDE estimates a one-time cost of \$3,500 for vendor and MDE staff to update systems as a result of the bill and an ongoing savings of \$2,500 to \$5,000 annually to no longer report grade 3 assessment scores and support CEPI in the mailing of letters. Last year, the mailing cost for CEPI to notify parents via certified mail was \$35,506. CEPI also notes an annual cost of \$12,846 to maintain the Third Grade Retention Collection in the Michigan Student Data System. Both of these costs would be eliminated under the bill.

² [“Read by Grade Three Law Initial Retention Decisions for the 2021-22 School Year” Report](#)

Foundation Allowance

The state also could realize reduced foundation allowance expenses due to a potential decrease in students retained in third grade. In the 2021-22 school year, 5,680 students were eligible for retention, and 545 were retained. In the 2020-21 school year, 4,750 students were eligible for retention, and 228 were retained. To the extent that students who would have otherwise been retained advance to fourth grade, the state could realize reduced costs due to the decreased number of students in the public school system over time. Initially, there would be no fiscal impact as students simply would be counted in fourth grade instead of third grade next year (the 2023-24 school year). The bill would create a larger fourth grade count and a smaller third grade count. After that larger cohort graduates in 2031-2032, beginning with the 2032-33 school year, statewide enrollment would decrease by the number of students who would have otherwise been retained but advanced under this bill, thus decreasing statewide foundation allowance costs.

The foundation allowance is paid with a mix of state and local funding depending on a district's local operating millage revenue and number of pupils. PSAs do not receive millage revenue and therefore the full costs of a PSA's foundation allowance are borne by the state. The current foundation allowance for FY 2022-23 is \$9,150, but it is not known what the foundation allowance will be in FY 2032-33. The cost savings to the state would depend on the number of pupils who would have otherwise been retained but advanced under the bill, the district's local operating millage revenue, and the foundation allowance for that year.

Districts and PSAs

Districts and PSAs could realize reduced costs from the bill's removal of the following requirements:

- They must provide a reading intervention program for third-grade pupils deficient in English Language Arts and continue intensive reading intervention until the pupil no longer has a reading deficiency.
- They must submit an annual retention report to CEPI.

Legislative Analyst: Josh Roesner
Fiscal Analysts: Jacqueline Mullen
Noel Benson

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.