



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



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

Senate Bill 946 (Substitute S-2 as passed by the Senate)  
Senate Bill 947 (Substitute S-3 as passed by the Senate)  
Sponsor: Senator Darrin Camilleri (S.B. 946)  
Senator Dayna Polehanki (S.B. 947)  
Committee: Education

Date Completed: 12-30-24

## **CONTENT**

**Senate Bill 946 (S-2)** would amend the Revised School Code to require an authorizing body to perform specific oversight for each public school academy (PSA), urban high school academy, or school of excellence that it authorized.

**Senate Bill 947 (S-3)** would amend the Revised School Code to do the following:

- Require the board of directors of a PSA, urban high school academy, school of excellence, or strict discipline academy to ensure that the terms of a lease or purchase agreement for real property were equal to or below prevailing market conditions, as determined by an appraisal.
- Require a PSA, urban high school academy, school of excellence, or strict discipline academy's authorizing body to review the terms of a lease or purchase agreement and notify the Superintendent of Public Instruction or State Board of Education if these requirements were not being followed.

Senate Bill 947 is tie-barred to Senate Bill 946.

### **Senate Bill 946 (S-2)**

The Code allows an authorizing body to contract with an interested person or entity for the creation of a PSA, school of excellence, strict discipline academy, or urban high school academy. As these schools are created by *charter* contracts, they are referred to as charter schools. (For more information, see **BACKGROUND**).

Generally, the board of a school district, the board of an intermediate school district, the board of a community college, the board of a public university in the State, or two or more of these bodies working jointly under an agreement may serve as an authorizing body for a PSA, school of excellence, or strict discipline academy. An urban high school academy may only be authorized by the board of a State public university.

Currently, if an authorizing body issues a contract for a PSA, urban high school academy, or school of excellence, the authorizing body must fulfill certain requirements, such as ensuring that the contract complies with applicable requirements, establishing the board of directors of the charter school, and overseeing the charter school's operations, among other responsibilities. The bill would further require an authorizing body to do the following:

- Ensure that a representative of the authorizing body attended at least half the meetings of the board of directors of a PSA, urban high school academy, or school of excellence it authorized.

- At least twice a year, prepare a report detailing the authorizing body's efforts to provide oversight of a PSA, urban high school academy, or school of excellence.
- At least twice a year, present the report at a meeting of the board of directors of a PSA, urban high school academy, or school of excellence each year.
- Ensure that bylaws adopted by the board of directors of a PSA, urban high school academy, or school of excellence included a requirement that any act of the board of directors be approved by a majority of the members serving on the board.
- Oversee all contracts entered by a PSA, urban high school academy, or school of excellence that amounted to over \$100,000 to ensure that the terms and conditions of the contract were not in conflict with the contract issued by the authorizing body.
- Ensure that the board of directors of a PSA, urban high school academy, or school of excellence held meetings in at least 10 months of the calendar year.

### **Senate Bill 947 (S-3)**

Under the Code, a PSA, urban high school academy, school of excellence, or strict discipline academy may take action to carry out the purposes for which it was incorporated, such as by leasing or purchasing property.

Beginning one year after the bill's effective date, if a PSA, urban high school academy, school of excellence, or strict discipline academy leased or purchased real property, the bill would require the board of directors of the charter school to approve the terms of the lease or purchase agreement for real property and ensure that the terms of the lease or purchase agreement for real property were equal to or below prevailing market conditions that existed at the time of the lease or purchase transaction, as determined by an appraisal conducted by a licensed independent real estate appraiser.

Additionally, the bill would prohibit the board of directors of a PSA, urban high school academy, school of excellence, or strict discipline academy from entering into a lease or purchase agreement for real property unless the agreement was reviewed by the charter school's authorizing body. The authorizing body would have to notify the Superintendent of Public Instruction and the State Board of Education if it had reason to suspect that the lease or purchase agreement did not comply with the provisions above.

Current law grants PSAs, urban high school academies, schools of excellence, and strict discipline academies the ability to enter into binding legal agreements with persons or entities as necessary for the operation, management, financing, and maintenance of the charter school. The bill would specify that, subject to Senate Bill 943 (S-2), a charter school only would have this ability if the agreement complied with Sections 7 and 18 of the State School Aid Act.

(Section 7 provides that the costs for school operating purposes include all expenditures necessary to carry out the powers and the financial obligations of the district or intermediate district under the Revised School Code.

Senate Bill 943 (S-2) would amend Section 18 to require a school district or intermediate school district to make available on its public website financial statements provided by an educational management organization, detailed accountings provided by the authorizing body of a charter school concerning expenditures, and notices of noncompliance with applicable education standards, guidelines, or rules. Section 18 also provides for the disclosure of other information).

MCL 380.507 et al. (S.B. 946); 380.504a et al. (S.B. 947)

## **PREVIOUS LEGISLATION**

*(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)*

Senate Bill 946 is similar to Senate Bill 680 of the 2017-2018 Legislative Session and Senate Bill 933 of the 2021-2022 Legislative Session. Senate Bill 947 is a reintroduction of Senate Bill 681 of the 2017-2018 Legislative Session and Senate Bill 934 of the 2021-2022 Legislative Session.

## **BACKGROUND**

The Code requires the Superintendent of Public Instruction to approve a school of excellence if the proposed school is modelled on a high-performing school or program. An authorizing body may operate a school of excellence as a cyber school if the school's education management organization demonstrates experience in delivering a quality education program that improves pupil academic achievement, among other requirements. The Code allows for the creation of up to 15 cyber schools of excellence. Additionally, a PSA that demonstrates superior academic performance may be converted to a school of excellence. Strict discipline academies are established to serve suspended, expelled, or incarcerated young people.

## **BRIEF RATIONALE**

Public school academies, schools of excellence, urban high school academies, and strict discipline academies are referred to as charter schools because they are created by charter contracts approved by an authorizing body. While traditional public schools are run by superintendents, many charter schools are operated by private for-profit companies called educational management organizations; however, charter schools receive State appropriations. Private companies are not subject to Freedom of Information Act requests and other disclosure requirements, and some argue that this results in a lack of transparency surrounding charter school finances that allows educational management organizations to unduly profit from public funds, such as by charging charter schools excessive rents. Accordingly, some have suggested that charter schools be prohibited from engaging in certain real estate transactions and subjected to increased oversight.

Legislative Analyst: Abby Schneider

## **FISCAL IMPACT**

Senate Bill 946 (S-2) would have no fiscal impact on the State and would have a negative fiscal impact on local governmental entities that are charter school authorizers. Authorizers would see increased costs to ensure that representatives could attend the required meetings for each PSA it authorized. There also would be administrative costs to prepare and present the reports required under the bill. If the authorizer needed to hire additional staff to comply with the requirements, it would see increased costs. The amount of increased costs would be proportional to the number of PSAs authorized by a given charter school authorizer.

Senate Bill 947 (S-3) would have no fiscal impact on the State and would have an indeterminate fiscal impact on affected PSAs. While the provisions of the bill likely would have some effect on the cost to lease or purchase real property for a given PSA, there is no way to determine whether the provisions would increase the costs, decrease the costs, or have no effect.

Fiscal Analyst: Ryan Bergan

SAS\S2324\s946sb

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.