

Legislative Analysis



ELIMINATE THIRD GRADE READING RETENTION PROVISION OF REVISED SCHOOL CODE

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Senate Bill 12 (S-2) as passed by the Senate
Sponsor: Sen. Dayna Polehanki
House Committee: Education
Senate Committee: Education
Revised 2-28-23

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

SUMMARY:

Senate Bill 12 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 and modify 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.

The bill also would modify dates and deadlines relating to when the Center for Educational Performance and Information (CEPI) must identify students with a reading deficiency based on their Michigan Student Test of Educational Progress (MSTEP) score and notify the student's school and their parent or legal guardian of that deficiency. The bill would add a requirement that this notification contain information on what constitutes the reading deficiency as well as what supports will be available to the student.

MCL 380.1280f

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

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.

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:

Senate Bill 12 would reduce costs for the state and could reduce costs for local school districts and PSAs.

CEPI

The Center for Educational Performance and Information would realize reduced costs from the bill’s removal of the following requirements:

- CEPI must create and retain an annual retention report from each district and PSA.
- Parents of pupils identified as one or more grade levels behind on the state English Language Arts assessment must be notified via certified mail. (The bill would

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

instead require CEPI to notify parents of pupils identified as having a reading deficiency and would not require certified mail.)

Last year, the mailing cost for CEPI to certify letters sent to parents was \$21,280. CEPI also incurred \$10,500 in return fees, for a total cost of \$31,780. CEPI also noted an annual cost of \$12,846 to maintain the Third Grade Retention Collection in the Michigan Student Data System. These costs would be eliminated under the bill.

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 requirement that they submit an annual retention report to CEPI.

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■ 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.