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SFA**BILL ANALYSIS**

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House Bill 4666 (as enrolled)
Sponsor: Representative Charles Perricone
House Committee: Education
Senate Committee: Government Operations

PUBLIC ACT 94 of 1999

Date Completed: 7-13-99

CONTENT

The bill created the "Michigan Merit Award Scholarship Act" to establish the Michigan Merit Award Scholarship program, and to do the following:

- Establish the "Michigan Merit Award Trust Fund", which will include revenues the State receives from the tobacco settlement, as specified in the bill.
- Establish the Michigan Merit Award Board to administer the program, provide for the appointment of members, and specify the Board's duties.
- Set eligibility requirements, including receiving qualifying results on Michigan Education Assessment Program (MEAP) tests, for students to receive a Merit Award Scholarship.
- Require a Merit Award Scholarship to be used to pay tuition and fees at an approved postsecondary educational institution, as well as specified related costs.
- Require the Board to submit yearly to the Governor and Legislature a report on its activities, including information specified in the bill.

- Has received qualifying results in each of the subject areas of reading, writing, mathematics, and science.
- Did not receive qualifying results in one or two of the subject areas, but received an overall score in the top 25% of a nationally recognized college admission examination.
- Did not receive qualifying results in one or two of the subject areas, but received a qualifying score or scores as determined by the Board on a nationally recognized job skills assessment test designated by the Board.

("Assessment test" means the MEAP subject area assessments or any successor assessment test designated by the Board. "Qualifying results" means assessment test results, scores, or ranges of scores determined by the Board that qualify a student for a Merit Award Scholarship under the bill.)

Subject to adjustment of the amount, a student who is enrolled in grade seven in or after the 1999-2000 school year and whom the Board finds has taken the assessment test in each of the subject areas while in grades seven and eight, is eligible for one of the following additional Merit Award Scholarships: if the Board finds that the student while in grades seven and eight received qualifying results in two of the subject areas, an additional Merit Award Scholarship of \$250; received qualifying results in three of the subject areas, an additional Merit Award Scholarship of \$375; or, received qualifying results in all of the subject areas, an additional Merit Award Scholarship of \$500.

In addition to the eligibility requirements described above, to be eligible for the award of one or both Merit Award Scholarships, the Board must find that a student satisfies all of the following: has graduated from high school or passed the general education development (GED) test or other graduate equivalency examination approved by the State Board of Education within the seven-year period preceding the student's application to receive his or

Merit Award Scholarships

Each student enrolled in grade 11 in or after the 1998-99 school year who meets the bill's requirements (and subject to adjustment of the amount), is eligible for the award of a \$2,500 Michigan Merit Award Scholarship if the student is enrolled in an approved postsecondary educational institution in the State or the award of a \$1,000 Merit Award Scholarship if the student is enrolled in an approved postsecondary educational institution outside of the State, if the Board finds that the student while in high school has taken the assessment test in the subject areas of reading, writing, mathematics, and science, and meets one of the following:

her Merit Award Scholarship; is enrolled in an approved postsecondary educational institution; and, has not been convicted of a felony involving an assault, physical injury, or death. For a student who qualifies for a Merit Award Scholarship by receiving a qualifying score or scores as determined by a nationally recognized job skills assessment test designated by the Board, even though the student did not receive qualifying results in one or two of the subject areas of reading, writing, mathematics, and science, the student must be enrolled in a vocational or technical education program at an approved postsecondary educational institution.

In any fiscal year, the Board may adjust the amount of a Merit Award Scholarship available to eligible students based on its determination of available resources and amounts appropriated, but the Board may not increase an amount by more than 5% in any fiscal year. The Board must notify the Governor, the Speaker of the House of Representatives, and the Majority Leader of the Senate in writing at least 30 days before an adjustment.

For assessment tests administered after January 1, 2000, the Board may not use the assessment test to determine eligibility for a Michigan Merit Scholarship for a particular year unless the Board has reviewed and approved the assessment test before it was administered for that year.

The Board must give each student written notice of whether he or she is eligible for the award of one or both Merit Award Scholarships. If the student is eligible, the written notice also must contain the scholarship amount for which the student is eligible, how the student applies for payment of the scholarship, and any other information the Board considers necessary regarding qualification requirements or conditions relating to the use of the Merit Award Scholarship.

A student enrolled in an approved postsecondary educational institution in the State, who previously received a \$1,000 Merit Award Scholarship as a student enrolled in an approved postsecondary educational institution outside the State, is entitled to the award of an additional \$1,500 Merit Award Scholarship.

A student who initially does not receive qualifying results must be extended an opportunity to achieve the requisite qualifying results by taking a subsequent assessment test. A nonpublic school student or home school student may take, and the Board must administer if requested, an assessment test at a site designated by the Board.

The bill specifies that it is the intent of the Legislature that the level of student performance required to achieve qualifying results in a subject area of an

assessment test remain approximately the same, and that the Board not reduce the required level of student performance as a means of increasing the number of Merit Award Scholarships awarded.

Use and Payment of Scholarship

A Merit Award Scholarship may be used only to pay eligible costs. ("Eligible costs" means tuition and fees charged by an approved postsecondary educational institution; related costs for room, board, books, supplies, transportation, or day care; and, other costs determined by the Board.)

The Board must determine the manner and form of application for payment of a Merit Award Scholarship by an eligible student and the procedure for payment to the student or the approved postsecondary educational institution on the student's behalf. As determined by the Board, upon the request of a student or parent or guardian of a minor student, the Board may pay a Merit Award Scholarship in two consecutive annual installments rather than one lump sum.

An approved postsecondary educational institution may not consider a Merit Award Scholarship in determining a student's eligibility for a financial aid program administered by the State. The bill specifies that it is the intent of the Legislature that an approved postsecondary educational institution not reduce institutionally funded student aid because of the Merit Award Scholarship program.

Before payment of a Merit Award Scholarship to a student or an approved postsecondary educational institution, the student must certify or affirm in writing to the Board each of the following: that the student is enrolled at an approved postsecondary educational institution; the name of the approved institution in which the student is enrolled; that the student agrees to use the Merit Award Scholarship only for eligible costs; that the student has not been convicted of a felony involving an assault, physical injury, or death; and, that the student graduated from high school or passed the GED test or approved graduate equivalency examination within the seven-year period preceding the date of his or her application to receive the Merit Award Scholarship.

Trust Fund

The bill establishes the Michigan Merit Award Trust Fund in the Department of Treasury. The Trust Fund consists only of interest and earnings from Trust Fund investments, donations of money made to the Trust Fund from any source, and the following percentages of tobacco settlement revenue: 30% of the tobacco settlement revenue received in fiscal year 1999-2000; 50% of the settlement revenue received in fiscal year 2000-2001; and, 75% of the

settlement revenue received in fiscal year 2001-2002 and in subsequent fiscal years. Money in the Trust Fund at the close of a fiscal year must remain in the Trust Fund and may not revert to the General Fund. The State Treasurer must direct the investment of the Trust Fund. ("Tobacco settlement revenue" means money received by the State that is attributable to the master settlement agreement incorporated into a consent decree and final judgment entered on December 7, 1998, in Kelley Ex Rel. Michigan v Philip Morris Incorporated, et al., Ingham County Circuit Court, docket no. 96-84281CZ.)

Upon appropriation by the Legislature, the Board must authorize disbursement of funds from the Trust Fund for at least one of the following purposes: Michigan Merit Award Scholarships; expenses properly incurred by the Board in carrying out its powers and duties; costs associated with the assessment test's development, preparation, distribution, and scoring, and with dissemination of the test's results; funding of the Tuition Incentive Program or its successor; and, other expenditures as determined by law.

Merit Award Board

The bill establishes the Michigan Merit Award Board in the Department of Treasury. The bill specifies that the Board's goal is to increase access to postsecondary education and reward Michigan high school graduates who have demonstrated academic achievement. The Board must exercise its authority, powers, duties, and responsibilities independently of the State Treasurer. All administrative functions, including budgeting, procurement, and personnel functions, however, must be performed under the State Treasurer's direction and supervision.

The Board consists of seven members, including the State Treasurer or his or her designee, who also serves as chairperson; the State Superintendent of Public Instruction or his or her designee; the Director of the Department of Career Development or his or her designee; and four members appointed by the Governor with the advice and consent of the Senate. The term of a member appointed by the Governor is four years. Of the members first appointed, two must be appointed for two-year terms and two for four-year terms. The Governor may remove an appointed member for neglect of duty or malfeasance in office. A vacancy must be filled for the balance of the unexpired term in the same manner as the original appointment.

The Board may incur expenses needed to carry out its powers and duties under the bill and must compensate its members for reasonable expenses incurred in carrying out their official duties. The Board's business must be conducted in compliance with the Open Meetings Act. The Board is required

to meet at least annually, keep a record of its proceedings, and comply with the Freedom of Information Act.

The Board must establish a statewide toll-free telephone line and Internet access to receive questions, comments, and complaints concerning the assessment test, including but not limited to, complaints of student cheating on the test, complaints or comments about specific assessment test questions or testing conditions, or other questions, comments, or complaints relating to the development, preparation, distribution, scoring, or dissemination of test results. The Board must obtain and make available to the public all of the qualifying questions and answers, along with the corresponding answer key, to assessment tests administered during the preceding school year by September 1. Select questions that will be used for validity purposes in subsequent assessment tests may be held back from release, but all questions must be made available no later than two years after the assessment test is administered.

The Board may promulgate rules pursuant to the Administrative Procedures Act to implement and administer the bill. The rules may include, but are not limited to, one or more of the following: rules establishing the Board's administrative procedures; rules governing the qualification requirements for or the award of Michigan Merit Award Scholarships; rules establishing an appeals process from a determination of ineligibility for a Merit Award Scholarship; rules establishing what information or reports a student or postsecondary educational institution must provide to establish eligibility and when the information or reports must be provided; rules prescribing the reports to be made by a student awarded one or more Merit Award Scholarships and by a postsecondary educational institution to which the Merit Award Scholarship is paid; and, rules governing assessment test administration and addressing cheating on an assessment test.

Report to Governor and Legislature

By December 1 of each year, the Board must submit a report on its activities to the Governor and the Legislature. The report must contain the following information:

- A list of approved postsecondary educational institutions for the current and immediately preceding fiscal years.
- The number of Merit Award Scholarships awarded and the total amount of Merit Award Scholarship money paid in the immediately preceding fiscal year.
- A projection of revenues and expenditures from the Trust Fund for the current fiscal year and the next 10 fiscal years.

- The dollar amount of the Merit Award Scholarships available in the current fiscal year, the amount of any adjustments to the dollar amount from the beginning of the immediately preceding fiscal year, and any adjustments to the dollar amount projected for the remainder of the current fiscal year or for the next fiscal year.
- All of the following results, scores, or ranges of scores: used as qualifying results in the immediately preceding fiscal year; determined by the Board as qualifying results in the current fiscal year; and projected by the Board as qualifying results for the next fiscal year.
- The number of students who took the assessment tests, the number of students by subject area who received qualifying results, and the number of students who met the requirements for a Merit Award Scholarship, for the immediately preceding fiscal year.
- The number of persons participating in and the amount awarded in the immediately preceding fiscal year under the Tuition Incentive Program or a successor to that program.

At least 60 days before changing the results, scores, or ranges of scores used as qualifying results, the Board must provide written notice of its intent to make a change, and a report explaining its decision, to the standing committees of the Senate and House of Representatives with primary jurisdiction over legislation pertaining to education. The standing committees are required to review the Board's report and may hold hearings on the Board's decision.

Legislative Analyst: L. Arasim

FISCAL IMPACT

House Bill 4666 provides for the earmarking of portions of the State of Michigan's share of the national settlement agreement with tobacco companies to the Michigan Merit Award Trust Fund. Section 3 of the bill provides that 30% of the State's tobacco money will be earmarked to the Trust Fund in FY 1999-2000. This earmarking will increase to 50% in FY 2000-01 and to 75% in FY 2001-02 and each year thereafter. These earmarkings will provide the Trust Fund with \$115.0 million of revenue in FY 1999-2000, \$150.7 million in FY 2000-01, and \$271.4 million in FY 2001-02.

Section 5 of the bill requires the appropriation by the Legislature of any funds to be disbursed from the Trust Fund. The funds may be appropriated for the four specific purposes listed in the table below, as well as for "other expenditures as determined by law". The following table outlines the FY 1999-2000 appropriations, from the Michigan Merit Award Trust Fund.

Department/Budget Area	Program	Appropriation
Education	Michigan Education Assessment Program (MEAP) Testing	\$13,000,000
Higher Education	Michigan Merit Award Scholarships	\$86,300,000
Higher Education	Tuition Incentive Program (TIP)	\$5,250,000
Treasury	Michigan Merit Award Board	\$2,000,000
Totals		\$106,550,000

The Senate Fiscal Agency estimate for the Michigan Merit Award Scholarships is based on an estimated 34,530 eligible students in FY 1999-2000.

Fiscal Analyst: E. Jeffries

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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.