



**House
Legislative
Analysis
Section**

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WORK STUDY: PUBLIC SERVICE

**House Bill 5441 as passed by the House
Second Analysis (12-12-90)**

**Sponsor: Rep. H. Lynn Jondahl
1st House Committee: Colleges and Universities
2nd House Committee: Appropriations**

THE APPARENT PROBLEM:

Public Act 288 of 1986 created the Michigan work-study (MWS) program, patterned after a similar federal program, to enable college students to work with qualifying employers and earn money to pay the costs of tuition at any of the state's degree-granting postsecondary schools. Currently, the act allows both for-profit and nonprofit employers to participate in the program where each is required to match the state's allocation of a student's wages with a different percentage amount — 50 percent by for-profits, and 20 percent by nonprofits. While the lower match required by nonprofits is intended to reduce their burden in employing MWS students, some people feel even a 20 percent match costs most nonprofits more than they can afford and generally discourages them from seeking MWS students. Nonprofit employers many times offer services that directly benefit their communities, such as food banks, recycling programs, shelters for the homeless, and the like. Some people feel the act should include a new category of "public service employer," who would not be required to match any part of an MWS student's wages. In order to encourage more MWS student work in community welfare programs. Also, according to information provided by the House Fiscal Agency, the current formula used for distributing MWS funds among state schools resulted in a situation over the last three fiscal years where some schools failed to use all of their allocated funds while others apparently could have used more. It has been suggested that a new allocation formula, based on each school's prior use of MWS funds, could provide better distribution and greater use of available program funds.

THE CONTENT OF THE BILL:

The bill would amend Public Act 288 of 1986 to allow a "public service employer" (which would mean a private nonprofit agency that was exempt from federal taxation under the Internal Revenue Code and offered services directly to its community for its welfare) to qualify as an employer of MWS students under the act. A public service employer that employed an MWS student would not have to pay for any of the student's wages. Qualifying public service employment could include:

- work related to recycling or environmental preservation or protection;
- work done in food banks, homeless shelters, or other poverty programs;
- work performed for mental health, senior citizen, handicapper, or other human service nonprofit groups; and
- activities related to arts education and performance programs.

A public service employer would be eligible to employ students through the MWS program if the employer:

- entered into a signed agreement with an eligible school to provide qualified work for students recommended by the school;

- employed MWS students only for public service employment;
- did not use MWS students to displace employed workers;
- did not employ MWS students to construct, operate, or maintain a facility used, or to be used, solely for sectarian instruction or as a place for religious worship, nor for activities espousing any political position or candidate; and
- did not pay MWS students a wage that was less than the full federal minimum wage established for employees more than 19 years old.

The act currently allocates MWS program funds to each eligible postsecondary school in an annual amount proportionate to what the school's most recent records show it received in Pell grant funds, but not less than \$5,000. Under the bill, a school would receive this same allocation of MWS funds adjusted by the percentage difference between the average amount of MWS funds the school had received over the three most recent years when records were available and the average amount of MWS funds the school disbursed in those three years.

MCL 390.1371 and 390.1380

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would have a minimal fiscal impact to the state as no new funds would be appropriated under the bill. Because it is expected that the number of nonprofit agencies that would qualify for not having to pay any MWS student wages under the bill would not increase dramatically, the additional money needed to cover these costs could be paid under existing funds in the program, as the distribution formula suggested in the bill could direct funds where they were most needed. Under the new formula, however, some schools could lose MWS funds that were available (though not used) in previous years, while others could be allocated more. (11-26-90)

ARGUMENTS:

For:

The bill would create a special category of nonprofit employers, those which provide special public services to a community (such as operating food banks, homeless shelters, recycling programs, art and educational programs, and related activities), who would qualify under the act to employ MWS students without having to provide any matching funds for student wages. Currently, nonprofits are required to provide a 20 percent match to state funds for MWS student wages, and the low number of nonprofits now involved in the program seems to suggest that even this low matching amount may be more than they can afford. By adding a new category of nonprofits who would qualify for 100 percent of state funding for wages, the bill could spur more MWS students to work for nonprofits. The additional state money needed to cover wages paid by public service employers

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could be paid out of existing funds as some schools apparently have used little, if any, of the MWS funds allocated to them over the past three years. The distribution formula proposed in the bill could ensure that money now available for MWS students would be directed toward those schools with students that have been, or become, more involved in the MWS program.

Against:

The bill's new formula for distributing MWS funds could take money away from public school students and direct more to private schools and their MWS students. Rather than penalizing public schools for not using all of their allocated MWS funds, the state should work to encourage these schools to see that their MWS funds are put to greatest use. Some schools, in fact, may have problems specific to their area which hinder their students from participating in the MWS program. As a number of private schools also disbursed more than their allocation, the bill could direct more money to private school students who probably do not need the assistance as much as public school students do. State education officials should first work to ensure there were not region-specific variables affecting the decisions of students not to take advantage of the program at their school (for instance, lack of transportation), and correct these problems.

Response: While local variables will have some bearing on each school's use of MWS funds, this fails to explain the huge variance that exists between some schools' disbursement of MWS funds. According to data supplied by the House Fiscal Agency, one public university — Eastern Michigan in Ypsilanti — managed to disburse only 18 percent of its allocated dollars from 1986 to 1989, which left more than \$400,000 of unused MWS funds. Michigan State University, on the other hand, disbursed more than \$1.3 million over the same period, which is four percent more than it was allocated. The bill would only temporarily redirect funds away from the least-involved MWS participating schools to those having greatest need for the money; if a school wished to ensure itself a bigger piece of the pie, it would have to use the full amount of its present allocation.

Against:

The original version of the bill did not include under activities which could qualify as public service employment work related to "arts education or performance programs." Adding this category of qualifying work may contradict another portion of the bill which prohibits nonprofits from qualifying if their work involves "espousing or promoting any political position." Some forms of "art" (i.e. a play) are specifically meant to encourage only certain political ideas or to undermine others.

POSITIONS:

The Department of Education supports the bill. (11-21-90)

The Presidents Council of State Colleges and Universities supports the concept of the bill as long as the share of MWS funds available to the state's public colleges and universities is not reduced. (11-26-90)

The staff of the Michigan Higher Education Assistance Authority will recommend that both the authority and the State Board of Education take a supporting position on the bill. (12-12-90)