

Legislative Analysis



HIGHER ED PROMISE GRANT ASSIGNMENT

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House Bill 6650 as passed by the House

Sponsor: Rep. Tim Melton

Committee: Education

First Analysis (12-2-08)

BRIEF SUMMARY: The bill would allow a student to assign the proceeds of a promise grant (awarded at the end of a two-year course of study) to a local promise zone authority or to a community foundation, in order to obtain a loan of the same amount, at the outset of a two-year college degree program.

FISCAL IMPACT: The bill would have fiscal impact on state government, as the state would continue to make Promise Grant disbursements according to the current statutory provisions.

THE APPARENT PROBLEM:

In 2006, the Michigan legislature enacted Public Act 479 to create the Michigan Promise Scholarship. Beginning with the high school graduating class of 2007, the scholarship provides up to \$4,000 to high school graduates who successfully complete two years of postsecondary education. See *BACKGROUND INFORMATION* below.

All students who take the Michigan Merit Exam have the opportunity to receive up to the full \$4,000 if they meet all of the eligibility requirements. The time during the college career at which students are eligible to receive the full scholarship varies. The timing varies because the disbursement schedule depends upon the student's merit exam qualifying scores. Those with high marks in reading, writing, math, and science can take \$2,000 of their \$4,000 scholarship during the first two years of study (available in \$1,000 increments), and then the remaining \$2,000 after having completed the first two years. In contrast, those with low scores must wait to receive the \$4,000 scholarship until after they have successfully completed two years of study. In both instances, the Department of Treasury forwards the money to the approved higher learning institution at the appropriate time, on behalf of the student.

Legislation has been introduced to allow all students to have access to their scholarship at the onset of their postsecondary training. Rather than wait until the completion of two years' work, students could, at the outset of their education, enter into a contract with the Department of Treasury to assign the proceeds of their yet-to-be-received scholarship to a local community foundation or to a promise zone authority, in return for a loan in the same amount of money from the local agency. The Department of Treasury would forward the scholarship to the local agency, which would, in turn, make loans to students who had assigned their scholarships, and forward scholarship money to approved higher learning institutions.

THE CONTENT OF THE BILL:

House Bill 6650 would amend the Michigan Promise Grant Act (MCL 390.1628) to allow a student to assign the proceeds of a promise grant to a local promise zone authority or to a community foundation, under certain circumstances.

Currently under the act, the Michigan Department of Treasury disburses Michigan Promise Grant money to an approved postsecondary institution on a student's behalf. House Bill 6650 would extend this provision to allow disbursement to a local promise zone authority or to a community foundation.

The bill specifies that a student who qualifies for a Michigan Promise Grant, or who qualifies for a grant installment, may assign the proceeds of that grant or grant installment to a local promise zone authority or to a community foundation. The amount of the assignment could not exceed the amount that the community foundation or local promise zone authority had paid on behalf of the student.

Under the bill, the Department of Treasury would determine the manner and form of an assignment, and if officials in Treasury received an assignment they would be required to disburse the student's grant money to the local authority or community foundation and not to an approved postsecondary institution.

The bill defines "community foundation" to mean that term as defined in Section 261 of the Income Tax Act (MCL 206.261). There, the term means, among other things, a community organization that complies with regulations of the U. S. Department of Treasury, has an independent governing body representing the general public's interest, and which is subject to an annual independent financial audit if it has an endowment value of \$1 million or more.

The bill is tie-barred to Senate Bill 861 or House Bill 5375, so that it could not go into effect unless one of those bills were enacted into law. [Note: House Bill 5375 (H-3), which has passed the House and awaits action in the Senate Education Committee, would create the Michigan Promise Grant Zone Act. Senate Bill 861--a similar but not identical bill--also awaits action in the Senate Education Committee.]

BACKGROUND INFORMATION:

For more information about the Michigan Promise Scholarship, visit:
<http://www.michigan.gov/promise>

ARGUMENTS:

For:

This bill would allow students to assign their \$4,000 Michigan Promise Grant scholarship to a local community foundation or promise grant authority, by entering into a contract with the Department of Treasury. With those funds (and others), the local agencies could then set-up scholarship loan funds and give students access to their scholarships at the onset of their post-secondary school experience.

Currently, students who receive qualifying scores in each area of their merit exam (reading, writing, math, and science) are eligible to receive up to half of their scholarship *before* completing their first two years of postsecondary enrollment--available in installments of \$1,000 each year. In contrast, those students who do not get satisfactory scores on the merit exam receive their scholarship *after* completing their first two years of postsecondary enrollment. This bill would give all students access to their scholarship funds early in their college career.

POSITIONS:

The Department of Treasury supports the bill. (12-2-08)

The Michigan Association of Public School Academies supports the bill. (12-2-08)

The Michigan Chamber of Commerce is neutral on the bill. (12-2-08)

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