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SFA**BILL ANALYSIS**

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Senate Bill 182 (Substitute S-1, Draft 2 as reported from Subcommittee)
Senate Bill 183 (Substitute S-1, Draft 3 as reported from Subcommittee)
Sponsor: Senator Jon Cisky
Committee: Senate Appropriations

Date Completed: 3-5-97

BACKGROUND

Since 1935, the State has provided college and university tuition, through a Veterans' Survivor Tuition Program, for children of Michigan veterans who were either killed or were 100% disabled as a result of military service. The program spent many years, from 1935 to 1966, being funded by the State's General Fund. From 1966 to the present, the tuition grant program has been funded by interest earnings from the Michigan Veterans Trust Fund (MVTF), a \$50.0 million fund created during the World War II era to support short-term emergency financial needs of veterans. Over \$17.0 million in MVTF revenue has been used for tuition grants.

Until amendments to the program in 1996, qualified, college-aged children would get 100% of their tuition paid at a Michigan public college or university. The 1996 amendments increased the maximum age of students eligible for benefits from 21 to 25 years; added nonpublic schools to those eligible for tuition payments; and for those who entered the program on or after October 1996, capped the yearly tuition benefit at \$2,800.

Some supporters of the MVTF Emergency Grant Program and the Veterans' Survivor Tuition Program feel that the following changes to the program should be made: that the tuition program should have its own funding source and not use funds from the MVTF originally created only for short-term emergencies of veterans; that the tuition program should not place a cap on yearly tuition payments that can preclude a student from attending the State's largest universities; that training and vocational schools should be included as eligible institutions; and that spouses of veterans also should be eligible for tuition payments.

CONTENT

Senate Bill 182 (S-1) would appropriate \$20 million from the State General Fund to create a Veterans' Survivor Tuition Fund. The funds would not be appropriated unless a minimum of \$20 million would be available in lapsed funds for the 1997-98 fiscal year. Senate Bill 183 (S-1) would amend Public Act 245 of 1935, the Act that created the Veterans' Survivor Tuition Program. Currently, the Act provides for up to \$2,800 in tuition payments to be paid per year by the State to qualified children of a veteran who are from 17 to 25 years of age. Senate Bill 183 (S-1) would amend the Act to do the following beginning with the 1999-2000 academic year:

- Remove the \$2,800 per-year cap for tuition payment to a Michigan tax-supported institution.
- Establish a maximum yearly payment for tuition at nontax-supported institutions that would be limited to the average full-time tuition costs of the University of Michigan, Michigan State University, and Wayne State University in the prior year.

- Add spouses of deceased or 100% disabled veterans to those who are eligible for tuition payments, but without an age restriction.
- Add an educational or training institution regulated by the State to those institutions that are eligible for tuition payments.
- Provide for annual, rather than by academic term, reimbursements to educational institutions.
- Include a member of the Michigan National Guard who was killed or died as a result of an injury under the definition of a "veteran" under the Act.
- Provide for the creation of a Veterans' Survivor Tuition Fund in the State Treasury and require that interest earnings from the Fund be used for Veterans' Survivor Tuition payments.
- Provide for a program review after five years.

The two bills are tie-barred together.

MCL 35.111 & 35.112 (S.B. 183)

FISCAL IMPACT

Senate Bill 182 (S-1), should the lapse condition outlined in the bill be met, would cost the State a one-time payment of \$20 million in General Funds.

Senate Bill 183 (S-1) would have an indeterminate fiscal impact on the State. At the current time approximately \$900,000 per year is spent from interest revenue from the MVTF for the veterans' survivor tuition program, which is averaging slightly over 400 participants per year. The cap that places a limit of \$2,800 tuition payments per year was enacted into law in 1996; therefore, the vast majority of the students in the program are previous entries to the program and are not subject to a cap. Removal of the cap would return the program to a situation in which rising tuition costs were a factor in increased program costs. It is not known how many spouses would be eligible for the program within the State.

The bill would provide a new educational option, training school tuition, to what the tuition program may pay for. To the extent that some eligible persons would choose this option over a large, four-year university, tuition savings would result to the program. The bill would establish the Veterans Survivor Tuition Fund in the State Treasury. Should the tuition program utilize interest earnings from that Fund (\$20 million) to pay for tuition reimbursements, the program could have available for expenditure between \$1.0 million and \$2.0 million in revenue each year, depending upon prevailing interest rates.

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