

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bill 4666 (Substitute S-2 as reported)
Sponsor: Representative Charles Perricone
House Committee: Education
Senate Committee: Government Operations

CONTENT

The bill would create the "Michigan Merit Award Scholarship Trust Fund Act" to establish the Michigan Merit Award Scholarship program, and to do the following:

- Establish the "Michigan Merit Award Trust Fund", which would include revenues the State received from the tobacco settlement, as specified in the bill.
- Establish the Michigan Merit Award Board to administer the program.
- Set eligibility requirements, including receiving qualifying results on the Michigan Education Assessment Program (MEAP) test or any successor assessment test designated by the Board, 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 a yearly report to the Governor and the Legislature.

Merit Award Scholarships

Each student enrolled in grade 11 in or after the 1998-99 school year who met the bill's requirements, would be eligible for the award of a \$2,500 Michigan Merit Award Scholarship if the student were enrolled in an approved postsecondary educational institution in the State, or the award of a \$1,000 Merit Award Scholarship if the student were enrolled in an approved postsecondary educational institution outside of the State, if the Board found that the student while in high school had taken the assessment test in all of the subject areas of the test and received qualifying results in each of the subject areas, or did not receive qualifying results in one or two of the subject areas, but scored in the top 25% of a nationally recognized college admission examination or received a qualifying score or scores as determined by the Board on a nationally recognized job skills assessment test designated by the Board.

A student who was enrolled in grade seven in or after the 1999-2000 school year and whom the Commission found had taken the assessment test in each of the subject areas while in grades seven and eight, would be eligible for one of the following additional Merit Award Scholarships: if the Board found that the student received qualifying results in two of the assessment's subject areas, an additional scholarship of \$250; received qualifying results in three of the subject areas, an additional scholarship of \$375; or, received qualifying results in all of the subject areas, an additional scholarship of \$500.

Based on available resources and amounts appropriated, the Board could adjust the amount of a scholarship, but could not increase an amount more than 5% in any fiscal year.

Trust Fund

The Michigan Merit Award Trust Fund would consist only of interest and earnings from Trust Fund investments, donations of money from any source, and the following percentages of tobacco settlement revenue: 30% of the tobacco settlement revenue received in fiscal year (FY) 1999-2000; 50% received in FY 2000-2001; and, 75% received in FY 2001-2002 and in subsequent fiscal years. Money in the Trust Fund at the close of a fiscal year would have to remain in the Trust Fund and could not revert to the General Fund. ("Tobacco settlement revenue" would mean money received by the State that was attributable to the master settlement agreement incorporated into a consent decree and final judgment entered on December 7, 1998, in Kelley Ex Rel.

Merit Award Board

The Board would consist of seven members, including the State Treasurer or his or her designee, who also would serve 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.

Legislative Analyst: L. Arasim

FISCAL IMPACT

House Bill 4666 (S-2) 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 would be earmarked to the Trust Fund in FY 1999-2000. This earmarking would increase to 50% in FY 2000-01 and to 75% in FY 2001-02 and each year thereafter. These earmarkings would 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 would require the appropriation by the Legislature of any funds to be disbursed from the Trust Fund. The funds could 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, to date, from the Michigan Merit Award Trust Fund.

Purpose	Governor/House Recommendation	Senate Recommendation
Michigan Merit Award Scholarships	"sum sufficient"	\$86,300,000
Michigan Merit Award Commission	\$2,000,000	\$100
Michigan Education Assessment Program (MEAP) Testing	\$13,000,000	\$13,000,000
Tuition Incentive Program (TIP)	\$5,250,000	\$5,250,000
Total	\$20,250,000	\$104,550,100

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

Date Completed: 6-1-99

Fiscal Analyst: E. Jeffries