

Legislative Analysis



MICHIGAN RECONNECT GRANT ACT

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<http://www.house.mi.gov/hfa>

House Bill 5576 as enacted
Public Act 68 of 2020
Sponsor: Rep. Ben Frederick

Analysis available at
<http://www.legislature.mi.gov>

House Bill 5580 as enacted
Public Act 69 of 2020
Sponsor: Rep. Sarah Anthony

Senate Bill 268 as enacted
Public Act 84 of 2020
Sponsor: Sen. Ken Horn

House Committee (for HBs 5576 and 5580): Government Operations
Senate Committee (for SB 268): Appropriations
Complete to 4-3-20

BRIEF SUMMARY: House Bill 5576 and Senate Bill 268 create new acts to introduce a Michigan Reconnect Grant Program and a Reconnect Private Training Learning Initiative, respectively. The program and initiative are created in the Department of Labor and Economic Opportunity (LEO) for the purpose of providing grants and scholarships to eligible recipients. Generally, eligible recipients are Michigan residents over 25 years old who are high school graduates or have received their GED. Grant recipients also must be pursuing an associate degree or industry-recognized certificate or credential.

House Bill 5580 amends the general requirement in the School Aid Act that an institution must ensure that all known available restricted grants for tuition and fees were used prior to billing the Tuition Incentive Program for tuition or fees. The bill creates an exception from this general rule for certain cases described in HB 5576.

The bills took effect April 2, 2020.

FISCAL IMPACT: The fiscal impact of the bills is indeterminate and would depend on various factors, including the number of participating students and institutions, as well as the amount financial aid provided from other sources. A detailed analysis is in **Fiscal Information**, below.

THE APPARENT PROBLEM:

While the need for a highly skilled workforce is ever increasing, the supply of that labor in Michigan and nationwide is reportedly lagging. Whether because of economic barriers, a lack of information about career-oriented training and certification, or an organizational failure to connect resources with the people who need them, many worry about the Michigan workforce's ability to remain competitive in a changing economy.

In her 2019 State of the State address, Governor Whitmer proposed a Michigan Reconnect program¹ modeled on the successful program in Tennessee (described in **Background**, below). The program is intended to help Michigan to reach a goal set in the same address of 60% of Michiganders with a postsecondary credential (a high-quality industry certificate, associate degree, or higher) by 2030.

¹ https://www.michigan.gov/documents/whitmer/SOTS19_Fact_Sheet_646128_7.pdf

Some of that goal can be met by ensuring that current high school and college students are introduced to the resources available, but committee testimony stressed the importance of taking measures to ease the path for nontraditional students or those returning to school after an absence. The bills are intended to remove educational barriers for those students.

THE CONTENT OF THE BILLS:

Senate Bill 268

Michigan Reconnect Grant Program

The bill states that the Reconnect program and initiative are intended to provide last-dollar financial assistance to eligible applicants, to help those applicants meet the demands of an evolving economy, and to achieve the goal of increasing the number of Michigan residents aged 25 to 64 with a college degree or skill certificate or credential to 60% by 2030.

Departmental responsibilities

The bill charges LEO with the following, along with other responsibilities:

- Developing and administering the program.
- Providing participating students and the public with requisite information and assistance in navigating the program.
- Partnering with the Center for Educational Performance and Information (CEPI) to facilitate reporting on outcomes.
- Convening a workgroup of specified stakeholders to provide recommendations.
- Organizing regional meetings to ensure that the certificates awarded reflect market demand.
- Beginning February 1, 2021, submitting an annual report to the legislature that details all of the following:
 - The number of grants awarded.
 - The amount of funding used for oversight and implementation of the program.
 - The amount of funding used for program support services.
 - The amount of funding used for marketing.
 - The number of navigators employed by LEO and assigned to each eligible institution, and the number of Reconnect students assigned to each navigator.
 - The number of eligible institutions receiving grant funding, the number of individuals awarded those grants, and the number of recipients who earned either an associate degree or industry-recognized certificate or credential.
 - Any other relevant information, as determined by LEO.

LEO may expend program money to award grants and support its other duties concerning the program, subject to appropriation by the legislature.

Rulemaking

The bill requires LEO to promulgate rules to ensure that individuals and entities participating in the implementation of the Reconnect program use the unique statewide student ID codes issued by CEPI to track Reconnect students.

House Bill 5576

Michigan Reconnect Grant Recipient Eligibility

House Bill 5576 creates the Michigan Reconnect Grant Recipient Act, which specifies the eligibility requirements for those receiving grants under Senate Bill 268 and also introduces a Reconnect Private Training Learning Initiative to award skills scholarships.

Eligibility for a Reconnect Grant

For initial eligibility for a Michigan Reconnect Grant, a person must be at least 25 years old, a resident of Michigan for at least the previous year, have graduated from high school or received a GED, be admitted to and enrolled as at least a half-time student at a Pell-eligible program at an *eligible institution* leading to an associate degree or industry-recognized certificate or credential, not have previously earned an associate or baccalaureate degree, and have timely filed the requisite program application and financial aid and gift aid applications.

Eligible institution means a postsecondary educational institution that:

- Is an accredited Michigan community college.
- Complies with applicable restraints on fee and tuition rate increases.
- Participates in LEO's quality assurance protocols for tracking student outcomes.
- Submits requisite annual reports to LEO, including information on the following:
 - The institution's goals for student persistence and credential completion.
 - An inventory of the institution's currently implemented strategies to improve student success outcomes.
 - Policies for converting prior learning into community college credit whenever possible.
- By January 1, 2022, for participating students who need academic remediation, provides accelerated courses intended to raise those students' skills to college level and allow them to complete credit-bearing courses, using a specified remediation program.
- Provides reasonable accommodation to participating students with disabilities, in accordance with state and federal law.
- Designates an employee at the institution as the primary contact with LEO on the Reconnect Grant Program.

A participating student can transfer from one eligible institution to another as long as the student maintains eligibility requirements.

For continuing eligibility, a person must continue to be a resident of Michigan, maintain qualifying enrollment (with an exception for medical or family hardship leave of absence), maintain a 2.0 GPA in program courses, participate in relevant academic and career advising, and timely file requisite financial aid and gift aid applications.

A student is eligible for a grant for four years or until the student has earned an associate degree, whichever occurs first. (A student who earns a certificate or credential at an eligible institution remains eligible as long as the student has not earned an associate degree.)

Grant amount

Under the bill, the amount of a program grant cannot exceed the cost of tuition at the in-district resident rate and mandatory fees at the eligible institution, with any *gift aid* subtracted from the cost. Gift aid must be credited first to tuition and mandatory fees. Grant money must be paid to the institution for credit to the student's account. (*Gift aid* has the same meaning as in HB 5580, below.)

Rulemaking

LEO must promulgate rules to implement the eligibility requirements specified under the bill.

Reconnect Private Training Learning Initiative

Departmental responsibilities

The bill also creates the Reconnect Private Training Learning Initiative in LEO to provide skills scholarships to eligible students. LEO is responsible for all of the following:

- Developing and implementing a process by which qualified private training institutions offering qualifying programs can apply to LEO.
- Approving those that meet the criteria for a *qualified occupational training program* and posting the criteria to LEO's website.
- Ensuring that an applicant institution is first included as a *qualified private training institution* before receiving approval from LEO to be a qualified occupational training program.
- Requiring that institutions accepted to participate comply with data requests from LEO.
- Maintaining on its website a list of qualified programs available to scholarship recipients.
- Awarding skills scholarships of up to \$1,500 to contribute to tuition costs for qualifying programs to eligible applicants. The scholarship is only available to applicants who applied for all other available *gift aid* and cannot cause the total amount of gift aid to exceed the cost of tuition. (*Gift aid* has the same meaning as in HB 5580, below.)
- Informing each recipient of eligibility requirements and program specifics.

Qualified occupational training program means a course of study approved by LEO that is industry-recognized, is portable and recognized by multiple employers, prepares students to pass all relevant certification examinations, is in demand in the regional labor market, and is in an occupational area serving manufacturing, construction, information technology, business management, or health care. (If the course of study is an apprenticeship program, it must be registered with the U.S. Department of Labor.)

Qualified private training institution means either a for-profit or nonprofit private organization in Michigan that provides occupational training, but not four-year postsecondary degrees, that is included on Michigan's eligible training provider list or a consortium of businesses in Michigan offering occupational training that guarantees employment for those who successfully complete the training and is included on Michigan's eligible training provider list.

Eligibility

The eligibility requirements listed above for the program also apply to applicants for the initiative, except applicants for skills scholarships do not have to be enrolled at least part-time at an eligible institution leading to an associate degree or industry-recognized certificate or credential.

Appropriation and reporting

Under the bill, the annual appropriation for the first full year of the initiative cannot exceed \$1.5 million. LEO may award scholarships only until money appropriated to the initiative has been fully committed.

LEO also must submit an annual report to the House of Representatives and the Senate that explains the results of the initiative, including all of the following for the preceding year:

- Total number of institutions that sought approval and were approved, a list of approved institutions, and the total number and amount of scholarships awarded by each approved institution.
- Total number of programs that sought approval and were approved, a list or description of each program, and the total number and amount of scholarships awarded for each approved program.
- Total number of individuals who applied for and were awarded scholarships and the number of recipients who completed qualified programs.

Rulemaking

The bill requires LEO to promulgate rules for developing the application, applying specified criteria (and no other) to approve qualified programs, and ensuring that participating institutions comply with LEO's data requests. LEO's rulemaking authority with respect to the initiative is limited to those specific purposes.

House Bill 5580

The bill amends the State School Aid Act to revise the way that funds in the Tuition Incentive Program (TIP) are distributed. While the School Aid Act generally requires an institution to ensure that all known available restricted grants for tuition and fees are used prior to billing TIP for tuition or fees, the bill creates an exception from this general rule for certain cases described in HB 5576 and SB 268.

The bills exclude the following instances from the general rule:

The amount of a Michigan Reconnect Grant cannot exceed the cost of tuition at the in-district resident rate and mandatory fees at the applicable institution attended less all *gift aid*. [HB 5576]

Gift aid means federal Pell grants and tuition incentive program beneficiaries, but does not include student loans, work-study awards, qualified withdrawals made from applicable education savings accounts to pay higher education expenses, or higher education expenses paid under the Michigan Educational Trust Program or the Michigan Promise Zone Authority Act. [SB 268]

In other words, whereas now TIP provides the “last dollar”—filling gaps not met by other financial aid opportunities—TIP funding is provided ahead of Reconnect grants under the bill, rendering Reconnect grants the “last dollar” financial assistance.

MCL 388.1856

BACKGROUND:

The Michigan Reconnect program is modeled on the Tennessee Reconnect program,² launched in 2017. Along with the Tennessee Promise program (which allowed high school graduates meeting certain requirements to attend two years of community or technical college free of tuition and fees), Tennessee Reconnect is intended to meet the state's goal of getting 55% of working-age Tennesseans to attain a postsecondary degree or certificate by 2025.

[Initially, a supplemental appropriation bill³ for fiscal year 2019-20 included \$35.0 million in restricted funding and authorization for 12 full-time employees for the grant program. Governor Whitmer line item vetoed that appropriation to divert funds to the state's COVID-19 pandemic needs.]

FISCAL INFORMATION:

Reconnect Grant Program

There are a large number of factors that make it difficult to estimate the fiscal impact of the Reconnect Grants. Some of the variables involved include: the number of students that would be eligible for the program, the amount of tuition that would be covered by other financial aid programs prior to the application of a Reconnect grant, and the potential for increased enrollment at community colleges due to the Reconnect program.

Data provided from the federal Integrated Postsecondary Education Data System (IPEDS), the State Budget Office, and the Upjohn Institute in their comparison between a potential Michigan Reconnect program and the Tennessee Reconnect program, a scholarship program used as a model for the Michigan Reconnect program, were used to provide the following estimates. There were 44,089 full-time and part-time community college students that are over the age of 25 and in a degree- or certificate-seeking program in Michigan in the 2016-17 academic year. Based on the Tennessee model, 57.57% of applicants were approved for the program. Using this approval rate, 25,382 current students would qualify for funding from the Michigan Reconnect program. The Upjohn Institute estimated that after federal Pell grants and other financial aid were considered, the estimated cost per student would be \$1,197.

Using these estimates, the Michigan Reconnect program would have a first-year cost of \$30.4 million for students attending community college institutions (25,382 students multiplied by the \$1,197 estimated cost per student). This cost would increase in year two to an estimated \$48.9 million, due to the addition of a new cohort and an estimated 61% of eligible students returning for their second year in a community college program. The 61% retention rate is based on the 3-year average retention rate for Michigan community college students in the federal IPEDS database.

To the extent that the Reconnect grant program increases the number of eligible students, estimated costs would increase. However, the size and scope of the Reconnect grant program would be subject to the amount appropriated.

² <https://www.tn.gov/nexttennessee/tennessee-reconnect/tennessee-reconnect-one-pager0.html>

³ House Fiscal Agency analysis of 2020 PA 66/SB 151. <http://www.legislature.mi.gov/documents/2019-2020/billanalysis/House/pdf/2019-HLA-0151-3E2BB301.pdf>

Reconnect Private Training Learning Initiative

There are limited data on the participation levels of private training institutions or programs described in HB 5576. The scholarships for qualified students are capped at \$1,500 per person, and the total scholarships for private programs are capped at \$1.5 million for the first full year. This would allow 1,000 students to receive a full scholarship for private training programs.

House Bill 5580

The fiscal impact of HB 5580 is negligible but could potentially increase costs for the Tuition Incentive Program (TIP). The bill clarifies that funding from TIP would be applied first to the community college cost of attendance if a student was eligible for both TIP and the Reconnect Grant Program. This would have no immediate fiscal impact on TIP, and could allow more potential students to be served by the Reconnect Grant Program. However, there could be an increase of students attending community colleges due to the influence of the Reconnect Grant Program who may also be TIP eligible, which would then potentially increase program costs. The amount of the potential students involved or potential program cost increases to TIP are hypothetical and cannot be determined at this time.

The bills would increase administrative and oversight costs for the Department of Labor and Economic Opportunity by an unknown amount. Funding and full-time equated position authorization for costs that exceed current appropriation levels would be subject to legislative appropriation.

ARGUMENTS:

For:

Proponents advanced the bills as a way of ensuring that Michigan increases its proportion of highly skilled labor in order to meet the demands of an ever-evolving workforce. Additionally, they are intended to make it easier for adults to return to qualified community colleges or job training programs, with less concern about funding that education.

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