



**House
Legislative
Analysis
Section**

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**VETERAN'S TUITION GRANT;
EXTENSION**

**House Bill 4316 as enrolled
Public Act 335 of 1996
Third Analysis (8-13-96)**

**Sponsor: Rep. Terry London
Committee: Higher Education**

THE APPARENT PROBLEM:

Currently, the Michigan Veteran's Trust Fund provides tuition grants enabling the children of veterans to attend Michigan public institutions of higher education under certain circumstances. In order to be eligible, a child must, among other things, be age 16 through 22, and the legal offspring of a veteran who was either missing or killed in action, who died as a result of service-related injuries, or who is rated 100 percent disabled due to injuries sustained while in the armed forces. Although the trust fund determines an individual's eligibility for a tuition grant, the federal Department of Veteran's Affairs (formerly known as the Veteran's Administration) is responsible for determining whether a particular veteran's illness, injury, death, or disease arises from that veteran's service.

Unfortunately, the federal agency does not always complete these determinations in a timely fashion. It has on occasion taken the agency a rather long time to make some of its determinations, not only those concerning a particular veteran's medical problems, but also those concerning whether certain medical problems are the result of service-related exposures to certain chemicals. For example, the determination of whether veterans' exposures to the defoliant known as "Agent Orange" during service in Southeast Asia is causally related to various diseases, symptoms, and illnesses suffered by many of these veterans is, by many accounts, one of those situations.

Because of the difficulty in establishing, first, whether a particular veteran was exposed to Agent Orange, and then whether that individual's health problems are related to that exposure, the federal agency's determinations on this issue have been subject to occasionally lengthy delays (sometimes for periods as long as seven years). These delays, caused both by the federal government's unwillingness to accept the possibility that exposure to Agent Orange had deleterious effects upon those personnel who came in contact with it, as well as those due to administrative overload, have had the negative effect of occasionally barring certain people's access to benefits solely due to the delay. As a result of these delays it is possible that the child of a veteran, who was otherwise eligible for tuition payment through the veteran's fund,

could become ineligible due to his or her age while waiting for a determination from the federal agency on whether that child's veteran parent had died or become disabled as a result of service related illness or injury.

THE CONTENT OF THE BILL:

Current law provides that certain children of Michigan veterans are not required to pay tuition while they attend one of Michigan's state supported educational or training institutions. In order to be eligible to receive this tuition grant the child must be between 16 and 22 years old, a resident of Michigan for the prior 12 months, and the veteran parent must have died or become 100 percent disabled as the result of service or participation in a military action, or be officially listed as missing in action. The statute also limits the amount of tuition to 36 months worth of education and offers extensions that provide eligibility for people over the age of 22 under certain circumstances.

The bill would expand eligibility by allowing otherwise eligible children of veterans over the age of 16 and under the age of 26 to apply for and receive a tuition grant. In addition, the bill would allow tuition grants to students attending private colleges in Michigan, as well as state-supported institutions. The bill would also limit the application of a tuition grant to 36 month's worth of undergraduate courses.

For all students admitted to an institution located in this state on or after October 1, 1996, the bill would limit the amount of tuition to be paid to \$2,800 per year. However, children of veterans who were eligible for and admitted or accepted into the tuition grant program for a state supported institution before October 1, 1996 would be eligible to receive a full tuition grant. For students admitted or accepted to private institutions before October 1, 1996, the tuition waiver would be limited to \$2,800 per year.

The bill would also remove language in the current law which bars individuals who are receiving an educational benefit, scholarship, or financial aid from another state

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from being eligible for a tuition grant. Finally, language providing an exception to the age limit, thus allowing only certain individuals over 22 years of age to receive tuition grants, would be eliminated.

MCL 35.111

BACKGROUND INFORMATION:

Public Act 4 of 1943 created a post-war reserve fund of \$50 million "for the purpose of liquidating Michigan's obligations, after the termination of the war, to its returning service men, their widows, or dependents." Public Act 4 authorized the State Administrative Board to transfer immediately \$20 million from the general fund to the reserve fund, and directed the board and the state treasurer to transfer from the general fund to the reserve fund "accruing surplus revenues as promptly as accruing unappropriated revenues shall warrant, until the additional transfers shall bring the post-war reserve fund up to the total of" \$50 million. The post-war reserve fund was subsequently transferred to the Michigan Veterans' Trust Fund when it was created by Public Act 9 of 1946. Public Act 9 specified that \$50 million of the transferred funds was to remain in the MVTF as a trust, and \$200,000 of the MVTF was to be transferred to an emergency loan fund to be used for veterans or their legal dependents "who may be engaged upon a course of instruction under any state or federal educational program." According to the act, income accruing in the MVTF in excess of the \$50 million and the \$200,000 is to be used by the MVTF trustees to provide for the needs of Michigan veterans and their wives and dependents.

The MVTF trustees also are responsible for administering the tuition grant program. The tuition grant program was established by Public Act 245 of 1935 and was originally administered by the Department of Education. The program was transferred to the auspices of the MVTF trustees in 1966. Public Act 245 specifies that a child of a disabled or deceased veteran, or of a veteran who is missing in action, must be admitted to and may attend a state tax-supported educational or training institution of a secondary or college grade, and exempts the child from tuition and tuition-type fee requirements. The MVTF trustees are responsible for determining the eligibility of the applicant for this benefit and for determining the accuracy of the charges submitted to the trustees by the institutions on account of the applicant's attendance at the institution. According to Public Act 245, the appropriations provided to the institutions or to the Department of Education are to be provided to the MVTF board of trustees to reimburse the fund for the tuition grants. However, the state has only made such a transfer of money to the MVTF for that specific purpose twice, and has not done so at all since 1969.

According to the Department of Management and Budget, the Michigan Veterans' Trust Fund has been liquidated twice. The first time, pursuant to Public Act 277 of 1959, was to meet the cash requirements of the general fund, as specified in Public Act 277. Although Public Act 277 called for complete restoration of the MVTF by July 1971, subsequent amendments to the Michigan Veterans' Trust Fund law provided for additional grants or loans from the MVTF, extended the repayment period, and in Public Act 119 of 1976, again liquidated the fund. Public Act 119, however, also called for restoring the MVTF to the principal sum of \$49 million by July 1993. This did not occur officially until July 13 of 1994 when Public Act 288, which among other things required the transfer of just over \$11.5 million from the general fund into the MVTF, was signed into law.

By executive order, the MVTF and its tuition grant program were transferred to the Department of Military Affairs in October of 1995.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would have an indeterminate fiscal impact. The exclusion of graduate studies would save the Michigan Veterans Trust Fund approximately \$100,000 annually. However, increasing the age limit could increase costs. Short term projections indicate a possibility of increased costs to the program until current participants conclude their studies. Any increase in expenditures would be funded through interest on the trust fund corpus. Long term projections indicate a leveling out of costs leading to a decrease in costs over current expenditures after about five years. (8-8-96)

ARGUMENTS:

For:

When a determination from the federal Department of Veteran's Affairs is delayed as a result of further studies, investigations, or plain incompetence, the veteran's children should not be forced to bear the burden of that delay. Given the often lengthy delays in the federal agency's determinations, some individuals who are otherwise eligible for tuition exemptions can become ineligible due to their age solely as a result of the delay. If someone is to suffer as the result of these administrative delays it should not be the child of the veteran. Such delays are beyond the control of the veterans' children and should not be used to make an otherwise eligible child ineligible.

The extension offered by this bill would provide a simple way of preventing the a harsh result from the agency's delay. The individual would not be given a windfall, no extra time in college would be given, and he or she would

not profit by the delay, but neither would he or she penalized because of the delay.

In addition, the bill would allow students to use their tuition waiver at private colleges, as well as at state-supported institutions. This would allow these students a broader choice of educational options while limiting the total cost to the Veterans Trust Fund.

Against:

As a result of the state's failure to reimburse the Michigan Veteran's Trust Fund for tuition grants as well as the increased costs of tuition, the veteran's fund may not have the money to meet current demands, much less the increased demand that would result from this bill. The added expense of supporting not only those students who attend state-funded universities, but those who attend private colleges as well, will significantly increase the costs of the program. In all likelihood, the increases caused by allowing tuition waivers for private institutions and the extension of the age restriction will outweigh the savings brought about by the tuition cap and by limiting students to 36 months of undergraduate courses.

Against:

Current law requires the fund to pay for tuition or any other fee that takes the place of tuition. As a result the fund is currently paying for such fees as student activity fees and, in some cases, parking fees. These cause a significant drain on the fund. If the current law were changed to limit payment to tuition only, the fund would possibly be better able to meet the increased demands proposed by this bill.

Response:

The question of limiting the tuition grant to tuition only, rather than fees, can be and perhaps should be addressed administratively.

Analyst: W. Flory

■ 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.