

# Legislative Analysis

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## RETURN UNUSED MERIT AWARD MONEY

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**House Bill 5232 as introduced**

**Sponsor: Rep. Bruce Caswell**

**Committee: Higher Education and Career Preparation**

### **First Analysis (11-29-05)**

**BRIEF SUMMARY:** The bill would require a university to return any unused Merit Award money to the state, if a student leaves school.

**FISCAL IMPACT:** The bill would result in an indeterminate savings to the state. The Department of Treasury indicates that many postsecondary institutions currently return award money to the state when award recipients leave school. It is unknown how much award money is currently retained by students leaving school prior to completing their enrollment.

### **THE APPARENT PROBLEM:**

The Michigan Merit Award Scholarship Program is administered in the Department of Treasury, where governing oversight is provided by the Merit Award Board.

Currently under the law, a scholarship award earned by an eligible Michigan student is paid by the board directly to the university or post-secondary institution where the student enrolls. The award can be used for tuition, fees, room and board, supplies, daycare, and transportation.

If a student withdraws from school after the scholarship is awarded, but before the term or semester ends, any remaining merit award scholarship funds are generally returned by the post-secondary institution to the state. For example, in Fiscal Year 2005, a reported \$865,445 in Merit refunds was returned to the State of Michigan by post-secondary institutions. However, in some instances universities have apparently returned the remaining portion of the scholarship award directly to the student, if the students left school without completing the required course of study.

### **THE CONTENT OF THE BILL:**

House Bill 5232 would amend the Michigan Merit Award Scholarship Act to require a university to return any unused merit award money to the state, if a student leaves school.

More specifically, the bill would require the Michigan Merit Award Board to pay, on behalf of an eligible student, all merit award scholarship money to an approved postsecondary educational institution in which the student had enrolled. Currently under the law, the payment can be made either to a student or to an approved postsecondary educational institution. Under the bill, the institution would be required to deposit the

money in an account for the benefit of the student and disburse money from that account to pay for eligible costs. If a student elected to leave the institution without completing the classes in which he or she had enrolled, then the institution would be required to return any money remaining in the student's account to the Department of Treasury. The department, in turn, would be required to deposit the money into an account for the student. However, any money remaining in an account for five years would escheat to the state.

MCL 390.1458

***ARGUMENTS:***

***For:***

This bill requires that any Merit Scholarship Award refund be returned to the Department of Treasury to be made available when the student to whom the scholarship was first awarded is able to once again resume studies. This policy ensures that the money appropriated for the merit awards is used by serious and able students, intent upon completing their higher education.

***Response:***

The Department of Treasury says it already addresses administratively the problem the bill intends to correct.

***POSITIONS:***

The Department of Treasury supports the bill. (11-8-05)

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