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**BILL ANALYSIS**

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Senate Bill 1335 (as enrolled)
Sponsor: Senator Deborah Cherry
Senate Committee: Appropriations
House Committee: Appropriations

PUBLIC ACT 479 of 2006

Date Completed: 7-12-07

CONTENT

Senate Bill 1335 created the "Michigan Promise Grant Act" to establish a new Michigan Promise Grant Program that begins with the high school graduating class of 2007. The bill repeals the existing Michigan Merit Award Scholarship Act effective September 30, 2017.

The Michigan Merit Award Program began with the high school graduating class of 2000. For students who passed the reading, writing, math, and science components of the MEAP exam, a scholarship of \$2,500 was awarded, with up to an additional \$500 for students who also scored well on the middle school MEAP test. The \$3,000 Merit Scholarship is paid in two annual installments of \$1,500 to the school where the qualified student enrolls.

The new Promise Grant will allow students who passed the reading, writing, math, and science components of the MEAP test or the Merit exam in high school to receive a scholarship of \$4,000. An amount of \$1,000 will be paid during each of a student's first two years of college; an additional \$2,000 will be paid when the student completes 50.0% or more of the academic requirements for a bachelor's degree or receives an associate's degree or a two-year certificate, and only if the student has maintained a cumulative grade point average of at least 2.5. The bill also will allow a student who took the MEAP test or Merit exam in high school but did *not* pass the reading, writing, math, and science portions, to receive a \$4,000 scholarship *after* the student completes 50.0% or more

of the academic requirements for a bachelor's degree or receives an associate's degree or a two-year certificate, and has maintained a cumulative grade point average of at least 2.5. In addition, the bill will allow a student enrolled in a vocational education program that takes less than two years to complete to receive a prorated award amount.

The bill also requires the Michigan Department of Treasury to administer the provisions of the new Act.

FISCAL IMPACT

The bill will have no fiscal impact on the State in fiscal year (FY) 2005-06 or FY 2006-07, will lower costs to the State in FY 2007-08 and FY 2008-09, and will increase costs to the State in succeeding fiscal years. There will be no fiscal impact on local units of government. Table 1 compares the cost projections for the Merit Awards, and the new Promise Grants, which are both funded from national tobacco settlement revenue that is deposited into the Michigan Merit Award Trust Fund.

The bill requires the Department of Treasury to adjust the Promise Grant amounts on a pro-rata basis if the appropriation in any fiscal year is not sufficient to pay each eligible student the amount required. The Department of Treasury must notify the Governor, the Speaker of the House, and the Senate Majority Leader at least 30 days before implementing a proration.

Table 1

| Cost Estimates Comparison of Merit Award to new Promise Grants (dollars in millions) | | | |
|--|-------------|----------------|--------|
| Fiscal Year | Merit Award | Promise Grants | Change |
| 2005-06 | \$119.1 | \$119.1 | \$0.0 |
| 2006-07 | 126.7 | 126.7 | 0.0 |
| 2007-08 | 128.0 | 109.6 | (18.4) |
| 2008-09 | 129.3 | 92.3 | (36.9) |
| 2009-10 | 130.6 | 194.6 | 64.1 |
| 2010-11 | 131.9 | 197.6 | 65.7 |
| <u>Merit Award Assumptions:</u> | | | |
| a) 1.0% annual growth in Merit qualifiers; | | | |
| b) 80.0% of qualifiers receive average middle school award of \$375. | | | |
| <u>Promise Grant Assumptions:</u> | | | |
| a) 2.0% annual enrollment growth; | | | |
| b) 70.0% of enrollees complete 2 years; | | | |
| c) 80.0% of enrollees who complete 2 years receive high school Promise Grants. | | | |

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.