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**BILL ANALYSIS**

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

CONTENT

The bill would create the "Michigan Merit Award Act" to establish a new Michigan Merit Award Program that would begin with the high school graduating class of 2007. The bill would repeal the existing Michigan Merit Award Scholarship Act effective September 30, 2017.

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

The new Merit Award proposed in the bill would allow students who passed the reading, writing, math, and science components of the MEAP exam in high school to receive a scholarship of \$4,000. An amount of \$1,000 would be paid during each of a student's first two years of college; an additional \$2,000 would be paid when the student completed 50.0% or more of the academic requirements for a bachelor's degree or received an associate's degree or a two-year certificate, and only if the student had maintained a cumulative grade point average of at least 2.5. The bill also would allow a student who took the MEAP in high school but did *not* pass the reading, writing, math, and science portions, to receive a \$4,000 scholarship after the student completed 50.0% or more of the academic requirements for a bachelor's degree or received an associate's degree or a two-year certificate, and maintained a cumulative grade point average of at least 2.5. In addition, the bill would allow a student enrolled in a vocational education program that took less than two years to complete to receive a prorated award amount.

The bill also would eliminate the seven-member Michigan Merit Award Board and would allow the Michigan Department of Treasury to administer the provisions of the proposed Act.

FISCAL IMPACT

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

The bill would allow the Department of Treasury to adjust the Merit Award amounts on a pro-rata basis if the appropriation in any fiscal year were not sufficient to pay each eligible student the amount required. The Department of Treasury would be required to notify the

Governor, the Speaker of the House, and the Senate Majority Leader at least 30 days before implementing a proration.

Table 1

Michigan Merit Award Program Cost Estimates Comparison of Current Law to SB 1335 Proposal (dollars in millions)			
Fiscal Year	Current Law	SB 1335 Proposal	SB 1335 Change To Current Law
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>Current Law Assumptions:</u>			
a) 1.0% annual growth in Merit qualifiers;			
b) 80.0% of qualifiers receive average middle school award of \$375.			
<u>SB 1335 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 received high school Merit awards.			

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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.