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BILL ANALYSIS

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House Bill 6249 (Substitute H-1 as passed by the House)

Sponsor: Representative Jerry Kooiman

House Committee: Appropriations

Senate Committee: Appropriations

Date Completed: 9-6-06

CONTENT

The bill would amend the Michigan Higher Education Assistance Authority statute to allow the Authority to use money from the Michigan Guaranty Agency's operating fund for the State Competitive Scholarship Program and the Tuition Incentive Program. The bill would impose two conditions on the use of the money: 1) the money could be used only in the State fiscal years of 2005-06 and 2006-07; and 2) the use of the money would have to be allowed under Federal law.

Proposed MCL 390.957a

BACKGROUND

As part of both the FY 2005-06 and FY 2006-07 budget target agreements, \$3.0 million in Michigan Higher Education Assistance Authority (MHEAA) operating revenue was recommended as a fund source for the State Competitive Scholarship Program in the Higher Education appropriations acts (Public Act 154 of 2005 and Public Act 340 of 2006). In order for MHEAA operating revenue to be spent, the Authority has been advised that it must pass a resolution authorizing the transfer of money from its operating fund. At the MHEAA meeting on June 20, 2006, Resolution 2006-7, which would have allowed the \$3.0 million transfer to the FY 2005-06 State Competitive Scholarship Program, was defeated unanimously. The State Attorney General's Office had advised the Authority that unless the MHEAA statute were amended to allow such a transfer, the Authority should not pass the resolution. This bill would amend the MHEAA statute to allow the expenditure of MHEAA operating fund revenue for FY 2005-06 State Competitive Scholarships. The bill also would allow the MHEAA to spend operating fund revenue for State Competitive Scholarships and the Tuition Incentive Program in FY 2006-07.

FISCAL IMPACT

If the \$3.0 million FY 2005-06 transfer of MHEAA money were to occur today, it would be too late in the academic year to spend it for FY 2005-06 State Competitive Scholarships, but \$325,000 could be used to offset an expected FY 2005-06 funding deficit in the Program. Contingent on passage of this bill and pursuant to Federal law, the Authority did pass Resolution 2006-8 on June 20, 2006, to allow MHEAA operating revenue to pay for the FY 2005-06 \$325,000 State Competitive Scholarship Program deficit.

The bill also would allow the MHEAA to pass a resolution to spend its operating fund revenue in FY 2006-07 for State Competitive Scholarships or Tuition Incentive Grants. The FY 2006-07 Higher Education appropriations act (Public Act 340 of 2006) includes \$3.0 million in MHEAA revenue as a fund source for State Competitive Scholarships. According to the State of Michigan's Comprehensive Annual Financial Report, the MHEAA had a total of \$23.5 million in net assets at the close of fiscal year 2004-05.

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