

SENATE BILL No. 442

April 28, 2005, Introduced by Senators SWITALSKI, SCOTT, PRUSI, CLARK-COLEMAN, BASHAM, THOMAS, JACOBS, CLARKE, CHERRY, OLSHOVE, BERNERO, LELAND and SCHAUER and referred to the Committee on Appropriations.

A bill to create the new Michigan merit scholarship trust fund; to provide for the administration of the new Michigan merit scholarship program; to provide for the powers and duties of certain state officers and entities; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the "new
2 Michigan merit scholarship act".

3 Sec. 3. As used in this act:

4 (a) "Academic year" means the period from August 1 of a
5 calendar year to July 31 of the next calendar year.

6 (b) "Approved postsecondary educational institution" means any
7 of the following:

8 (i) A public or private college or university, junior college,

1 or community college that grants degrees or certificates, is
2 located in this state, and is determined by the department to be
3 eligible to participate in the Pell grant program.

4 (ii) A postsecondary educational institution, other than an
5 educational institution described in subparagraph (i), that is
6 located in this state and is determined by the department to be
7 eligible to participate in the Pell grant program.

8 (iii) A service academy.

9 (c) "Clock hour" means a time period consisting of any of the
10 following:

11 (i) Fifty to 60 minutes of class, lecture, or recitation in a
12 60-minute period.

13 (ii) Fifty to 60 minutes of faculty-supervised laboratory work,
14 shop training, or internship in a 60-minute period.

15 (iii) Sixty minutes of preparation in a correspondence course.

16 (d) "Department" means the department of treasury.

17 (e) "FAFSA" means the free application for federal student aid
18 developed under 20 USC 1082(m)(1)(C).

19 (f) "Fiscal year" means a fiscal year of this state. A fiscal
20 year begins on October 1 of a calendar year and ends on September
21 30 of the next calendar year.

22 (g) "High school graduate" means an individual who has
23 received a high school diploma from a high school in this state or
24 passed the general educational development (GED) diploma test or
25 any other high school graduate equivalency examination approved by
26 the state board of education.

27 (h) "New Michigan merit scholarship" means a scholarship

1 awarded by the department under this act.

2 (i) "Pell grant program" means the grant program described in
3 20 USC 1070a.

4 (j) "Service academy" means the United States military
5 academy, United States naval academy, United States air force
6 academy, United States coast guard academy, or United States
7 merchant marine academy.

8 (k) "State assessment test" means the Michigan merit
9 examination described in section 1279g of the revised school code,
10 1976 PA 451, MCL 380.1279g, and section 104b of the state school
11 aid act of 1979, 1979 PA 94, MCL 388.1704b, or any other test
12 administered by the department of education to students in grades 9
13 to 12 to assure state compliance with the federal no child left
14 behind act of 2001, Public Law 107-110.

15 (l) "Tobacco settlement revenue" means money received by this
16 state that is attributable to the master settlement agreement
17 incorporated into a consent decree and final judgment entered on
18 December 7, 1998 in Kelley ex rel. Michigan v Philip Morris
19 Incorporated, et al., Ingham county circuit court, docket no.
20 96-84281CZ.

21 (m) "Trust fund" means the new Michigan merit scholarship
22 trust fund established in section 5.

23 (n) "Volunteer community service" means an activity that
24 provides service or assistance that benefits a governmental entity,
25 a nonprofit organization, or an individual other than the pupil
26 performing the activity or his or her family, for which the pupil
27 does not receive monetary compensation. Volunteer community service

1 does not include school-sponsored extracurricular activities such
2 as athletics, academic or debate teams, band, or choir, but does
3 include tutoring or mentoring services performed by a pupil,
4 including school-sponsored tutoring or mentoring.

5 Sec. 5. (1) The new Michigan merit scholarship trust fund is
6 established in the state treasury. The trust fund shall consist of
7 interest and earnings from trust fund investments, donations of
8 money made to the trust fund from any source, other money or assets
9 received from any source for deposit into the trust fund, and 75%
10 of tobacco settlement revenue received in fiscal year 2006-2007 and
11 in subsequent fiscal years.

12 (2) The state treasurer shall direct the investment of the
13 trust fund and has the same authority to invest the assets of the
14 trust fund that is granted to an investment fiduciary under the
15 public employee retirement system investment act, 1965 PA 314, MCL
16 38.1132 to 38.1140m.

17 (3) The state treasurer shall credit to the trust fund
18 interest and earnings from trust fund investments.

19 (4) Money in the trust fund at the close of a fiscal year
20 shall remain in the trust fund and shall not lapse to the general
21 fund.

22 Sec. 7. Upon appropriation by the legislature, the department
23 shall authorize disbursement of money from the trust fund for 1 or
24 more of the following purposes:

25 (a) New Michigan merit scholarships under this act.

26 (b) Michigan merit award scholarships under the Michigan merit
27 award scholarship act, 1999 PA 94, MCL 390.1451 to 390.1459.

1 (c) Expenses properly incurred by the department in carrying
2 out its powers and duties under this act or under the Michigan
3 merit award scholarship act, 1999 PA 94, MCL 390.1451 to 390.1459.

4 (d) Costs associated with developing, preparing, distributing,
5 and scoring the state assessment test and disseminating the results
6 of the state assessment test.

7 (e) Funding of the tuition incentive program as described in
8 section 310 of 2004 PA 352, or a successor to that program.

9 (f) Funding of the Michigan nursing scholarship program as
10 described in the Michigan nursing scholarship act, 2002 PA 591, MCL
11 390.1181 to 390.1189, or a successor to that program.

12 (g) Other expenditures as provided by law.

13 Sec. 9. By April 1 of each year, the department shall submit a
14 report on its activities under this act to the governor and to the
15 standing committees of the senate and house of representatives with
16 primary jurisdiction over higher education issues. The report shall
17 contain all of the following information:

18 (a) The number of new Michigan merit scholarships awarded and
19 the amount of new Michigan merit scholarship money paid by the
20 department in the immediately preceding fiscal year.

21 (b) A list of the number of new Michigan merit scholarships
22 awarded and the amount of new Michigan merit scholarship money paid
23 in the immediately preceding fiscal year at each approved
24 postsecondary educational institution.

25 Sec. 11. (1) The new Michigan merit scholarship program is
26 established. The department shall administer the new Michigan merit
27 scholarship program.

1 (2) Subject to subsection (3), each student who becomes a high
2 school graduate in or after the 2006-2007 academic year is eligible
3 for the award of a new Michigan merit scholarship in an amount
4 determined under section 13.

5 (3) In addition to the requirements set forth in subsection
6 (2), the department must find that a student meets all of the
7 following eligibility requirements to award the student a new
8 Michigan merit scholarship under this act:

9 (a) The department has received a completed application for
10 payment as described in section 17(1), including the certification
11 described in section 17(2), on or before the deadline established
12 by the department.

13 (b) The student is a high school graduate and a resident of
14 this state.

15 (c) At an approved postsecondary educational institution, the
16 student earned an associate's degree, earned a 2-year certificate
17 of completion in a vocational education program, completed a
18 comparable vocational training program approved by the department,
19 or completed 50% or more of the academic requirements for the award
20 of a bachelor's degree.

21 (d) The student completed at least 40 hours of volunteer
22 community service before June 30 of the year he or she received a
23 high school diploma or at any time before he or she passed the
24 general educational development (GED) diploma test or other high
25 school graduate equivalency examination and the department has
26 received the verification described in section 15.

27 (e) The student completed and filed a FAFSA with the United

1 States department of education before or during his or her first
2 year of enrollment in an approved postsecondary educational
3 institution.

4 (f) The student took the state assessment test.

5 (g) The student enrolled in an approved postsecondary
6 educational institution within 2 years after he or she became a
7 high school graduate. The department may extend the 2-year period
8 if the student becomes a member of the United States armed forces
9 or peace corps during the 2-year period and serves for 4 years or
10 less.

11 (h) The student completed the requirements for eligibility for
12 a new Michigan merit scholarship under this section within 4 years
13 after he or she enrolled in an approved postsecondary educational
14 institution in accordance with subdivision (g).

15 (i) The student did not previously receive scholarship money
16 under this act or the Michigan merit award scholarship act, 1999 PA
17 94, MCL 390.1451 to 390.1459.

18 (j) The student meets any additional eligibility requirements
19 established by the department.

20 Sec. 13. (1) Subject to adjustment under this section, a
21 student who meets the eligibility requirements under section 11
22 shall receive a new Michigan merit scholarship in 1 of the
23 following amounts:

24 (a) Unless subdivision (b) applies, an amount equal to
25 \$4,000.00 minus the amount of any money previously received by or
26 for the student under the Pell grant program, or \$2,500.00,
27 whichever is greater.

1 (b) If a student satisfies the eligibility requirement
2 contained in section 11(3)(c) by completing a vocational training
3 program that as determined by the department generally requires
4 less than 2 years or fewer than 1,800 clock hours, as applicable,
5 to complete, 1 of the following:

6 (i) For a program generally completed in more than 1 year or
7 900 clock hours, as applicable, an amount equal to \$3,000.00 minus
8 the amount of any money previously received by or for the student
9 under the Pell grant program, or \$1,875.00, whichever is greater.

10 (ii) For a program generally completed in 1 year or 900 clock
11 hours, as applicable, an amount equal to \$2,000.00 minus the amount
12 of any money previously received by or for the student under the
13 Pell grant program, or \$1,250.00, whichever is greater.

14 (iii) For a program generally completed in more than 6 months
15 and less than 1 year or more than 450 and fewer than 900 clock
16 hours, as applicable, an amount equal to \$1,000.00 minus the amount
17 of any money previously received by or for the student under the
18 Pell grant program, or \$625.00, whichever is greater.

19 (2) If in any fiscal year the department determines that the
20 amount appropriated by the legislature for the payment of new
21 Michigan merit scholarships is not sufficient to pay each eligible
22 student the new Michigan merit scholarship amount required under
23 this section for an academic year, the department shall prorate the
24 amount of new Michigan merit scholarships paid under this section
25 as necessary to reflect the available resources and amounts
26 appropriated in that fiscal year.

27 Sec. 15. Before awarding a new Michigan merit scholarship to a

1 student, the department must receive 1 of the following:

2 (a) Verification from the student's school district, public
3 school academy, or nonpublic school, as those terms are defined in
4 the revised school code, 1976 PA 451, MCL 380.1 to 380.1852, in a
5 form and manner approved by the department, that the student
6 performed the volunteer community service described in section
7 11(3)(d).

8 (b) If a student's school district, public school academy, or
9 nonpublic school, as those terms are defined in the revised school
10 code, 1976 PA 451, MCL 380.1 to 380.1852, is unable to verify
11 completion of a student's volunteer community service, a
12 certification of compliance by an organization or person unrelated
13 to the student who supervised the student's performance of his or
14 her volunteer community service, in a form and manner approved by
15 the department.

16 Sec. 17. (1) The department shall determine the manner and
17 form of application to receive a new Michigan merit scholarship and
18 the procedure for payment to a student or an approved postsecondary
19 educational institution on the student's behalf.

20 (2) A student shall include in his or her application to
21 receive a new Michigan merit scholarship a written certification to
22 the department that contains both of the following:

23 (a) His or her certification that he or she has earned an
24 associate's degree, earned a 2-year certificate of completion in a
25 vocational education program, completed a comparable vocational
26 training program approved by the department, or completed 50% or
27 more of the academic requirements in a bachelor's degree program at

1 an approved postsecondary educational institution.

2 (b) The name of the approved postsecondary educational
3 institution at which the student earned the associate's degree,
4 earned the 2-year certificate of completion in a vocational
5 education program, completed the comparable vocational training
6 program approved by the department, or completed 50% or more of the
7 academic requirements in a bachelor's degree program.

8 (3) An approved postsecondary educational institution shall
9 not consider a new Michigan merit scholarship in determining a
10 student's eligibility for a financial aid program administered by
11 this state. It is the intent of the legislature that an approved
12 postsecondary educational institution does not reduce other
13 institutionally funded student aid for which a student is eligible
14 because of the student's receipt of or eligibility for a new
15 Michigan merit scholarship, unless required by federal law.

16 (4) The department shall pay a new Michigan merit scholarship
17 to or on behalf of an eligible student within 6 months after
18 receiving the student's completed application.

19 Sec. 19. The department may promulgate rules pursuant to the
20 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
21 24.328, to implement and administer this act, including, but not
22 limited to, 1 or more of the following:

23 (a) Rules establishing the department's administrative
24 procedures for the new Michigan merit scholarship program.

25 (b) Rules governing the qualification requirements for or the
26 award of new Michigan merit scholarships under this act.

27 (c) Rules establishing an appeals process from a determination

1 of ineligibility for a new Michigan merit scholarship.

2 (d) Rules establishing what information or reports a student
3 or an approved postsecondary educational institution must provide
4 to establish eligibility and when that information or those reports
5 must be provided.

6 (e) Rules prescribing the reports to be made by a student
7 awarded a new Michigan merit scholarship and by an approved
8 postsecondary educational institution to which a new Michigan merit
9 scholarship is paid.

10 Enacting section 1. Section 3 of the Michigan merit award
11 scholarship act, 1999 PA 94, MCL 390.1453, is repealed effective
12 September 30, 2006.

13 Enacting section 2. The Michigan merit award scholarship act,
14 1999 PA 94, MCL 390.1451 to 390.1459, is repealed effective
15 September 30, 2016.