



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bills 196 and 197 (as reported without amendment)

Sponsor: Senator Marty Knollenberg (S.B. 196)

Senator Peter MacGregor (S.B. 197)

Committee: Finance

Date Completed: 3-23-17

RATIONALE

The Fostering Futures Scholarship provides eligible foster youths with scholarship funds for tuition, fees, room and board, books, and supplies or equipment required for enrollment. To be eligible for a scholarship, the student must have been in foster care due to abuse or neglect on or after his or her 13th birthday; must be an undergraduate, attending a Michigan public or private four-year college or university or a community college at least half time; and must meet Satisfactory Academic Progress standards as set by the institution. Currently, the Fostering Futures Scholarship depends on private donations, sponsorships, fund raising events, and the appropriated funds it receives from the State every year. To provide an additional way for individuals to contribute to the Fostering Futures Scholarship Trust Fund, it has been suggested that people should be given an opportunity to donate when filing their income tax returns.

CONTENT

Senate Bill 196 would amend the Fostering Futures Scholarship Trust Fund Act to require the Department of Treasury to credit to the Trust Fund all amounts appropriated for the Trust Fund under the Section 435 of the Income Tax Act.

Senate Bill 197 would amend Section 435 of the Income Tax Act to include the Fostering Futures Scholarship Trust Fund among the funds eligible for voluntary contributions (check-offs) on the State income tax return, starting in 2017; and increase from 10 to 11 the maximum number of check-offs that may be included on the contributions schedule in any tax year.

The bills are tie-barred.

Senate Bill 196

The Department of Treasury is the administrator of the Fostering Futures Scholarship Trust Fund for auditing purposes and all powers, purposes, and duties of the Trust Fund must be exercised by the Department. The bill would require the Department to credit to the Trust Fund all amounts appropriated for it under Section 435 of the Income Tax Act. All money received under Section 435 would have to be transmitted to the State Treasurer for deposit in the Trust Fund.

Senate Bill 197

Section 435 of the Income Tax Act allows an individual to designate on his or her annual State income tax return that contributions of \$5, \$10, or more of his or her refund be credited to any of the funds listed in that section. If an individual's refund is not sufficient to make a contribution, the taxpayer may designate a contribution amount to be added to his or her tax liability for the tax year.

The Department of Treasury is required to prepare a contributions schedule that includes the authorized funds. The schedule may not include more than 10 separate check-offs in a single year, and the Department must discontinue a check-off that fails to raise \$50,000 in a tax year for two consecutive years. The bill would allow 11 separate check-offs in a single tax year, instead of 10.

Under the Act, check-offs for the following are currently authorized: the ALS of Michigan ("Lou Gehrig's Disease") Fund; Children of Veterans Tuition Grant Program; the Children's Trust Fund; the Military Family Relief Fund; the Animal Welfare Fund; the United Way Fund; Special Olympics Michigan; the Michigan Alzheimer's Association Fund; the Michigan Junior Achievement Fund; and the American Red Cross Michigan Fund.

The bill would add the Fostering Futures Scholarship Trust Fund, beginning in the 2017 tax year.

MCL 722.1029 (S.B. 196)
206.435 (S.B. 197)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

According to the State of Michigan, 70% of teens who age out of foster care report that they want to attend college, but less than 10% of those who graduate from high school actually enroll. Of those who enroll, less than 1% graduate from college. Reportedly, there are around 13,000 children in the foster care system at any given time. The fostering environment is already very difficult on children, and as these children get older they often have few resources available to pay for higher education. It was previously reported that only 2% of foster students in the United States graduate from an institution of higher education.

The bills would provide an easy and convenient way for Michigan taxpayers to contribute funds to help foster youths attend institutions of higher education.

Response: The expansion of allowed check-offs from 10 to 11 could set an unwanted precedent. The amount of allowed check-offs that may be included on the contributions schedule in any tax year should remain consistent.

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bills would have a minimal impact on the Department of Treasury that would be within current appropriations. The one-time and ongoing costs associated with including an additional income tax check-off option and administering the Fostering Futures Scholarship Trust Fund would be minimal and within current appropriations.

The bills would have no fiscal impact on local government.

Fiscal Analyst: Cory Savino

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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.