

Legislative Analysis



MICHIGAN RECONNECT GRANT ACT

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<http://www.house.mi.gov/hfa>

House Bill 5576 as introduced
Sponsor: Rep. Ben Frederick

Analysis available at
<http://www.legislature.mi.gov>

House Bill 5580 as introduced
Sponsor: Rep. Sarah Anthony

Committee: Government Operations
Complete to 3-11-20

BRIEF SUMMARY:

House Bill 5576 would create a Michigan Reconnect Grant Act, which would create a Michigan Reconnect Grant Program and a Reconnect Private Training Learning Initiative in the Department of Labor and Economic Opportunity (LEO) for the purpose of providing grants and scholarships to eligible recipients. Generally, eligible recipients would be Michigan residents over 25 years old who are high school graduates or have received their GED. Grant recipients would also have to be pursuing an associate degree or industry-recognized certificate or credential. LEO would be required to promulgate rules to implement both programs.

House Bill 5580 would amend the general requirement in the State School Aid Act that an institution must ensure that all known available restricted grants for tuition and fees were used prior to billing the Tuition Incentive Program for tuition or fees. The bill would create an exception from this general rule for certain cases described in HB 5576.

DETAILED SUMMARY:

House Bill 5576

Michigan Reconnect Grant Program

Departmental responsibilities

The bill would charge LEO with the following, along with other responsibilities:

- Developing and administering the program.
- Providing participating students and the public with requisite information and assistance in navigating the program.
- Partnering with the Center for Educational Performance and Information (CEPI) to facilitate reporting on outcomes.
- Convening a workgroup of specified stakeholders to provide recommendations.
- Organizing regional meetings to ensure that the certificates awarded reflect market demand.
- Submitting an annual report to the legislature detailing progress and spending on the program.

LEO could expend program money in support of these purposes subject to appropriation by the legislature.

Eligibility

For initial eligibility, a person would have to be at least 25 years old, a resident of Michigan for at least the previous year, have graduated from high school or received a GED, be admitted to and enrolled as at least a half-time student at a Pell-eligible program at an *eligible institution* leading to an associate degree or industry-recognized certificate or credential, not have previously earned an associate or baccalaureate degree, and timely filed the requisite program application and financial aid applications.

Eligible institution would mean a postsecondary educational institution that:

- Is an accredited Michigan community college.
- Complies with applicable restraints on fee and tuition rate increases.
- Participates in LEO's quality assurance protocols for tracking student outcomes.
- Submits requisite annual reports to LEO, including information on the following:
 - The institution's goals for student persistence and credential completion.
 - An inventory of the institution's currently implemented strategies to improve student success outcomes.
 - Policies for converting prior learning into community college credit whenever possible.
- By January 1, 2022, for participating students who need academic remediation, provides accelerated courses intended to raise those students' skills to college level and allow them to complete credit-bearing courses, using a specified remediation program.
- Provides reasonable accommodation to participating students with disabilities, in accordance with state and federal law.
- Designates an employee at the institution as the primary contact with LEO on the Reconnect Grant Program.

A participating student could transfer from one eligible institution to another as long as the student maintained eligibility requirements.

For continuing eligibility, a person would have to continue to be a resident of Michigan, maintain qualifying enrollment (with an exception for medical or family hardship leave of absence), maintain a 2.0 GPA in program courses, participate in relevant academic and career advising, and timely file requisite financial aid applications.

A student would be eligible for a grant for four years or until the student has earned an associate degree, whichever occurs first. (A student who earns a certificate or credential at an eligible institution would remain eligible as long as the student has not earned an associate degree and the certificate or credential leads directly to an associate degree program.)

Grant amount

Under the bill, the amount of a program grant could not exceed the cost of tuition at the in-district resident rate and mandatory fees at the eligible institution, with any *gift aid* subtracted from the cost. Gift aid would have to be credited first to tuition and mandatory fees. Grant money would be paid to the institution for credit to the student's account. (*Gift aid* would have the same meaning as in HB 5580, below.)

Reconnect Private Training Learning Initiative

Departmental responsibilities

The bill would also create the Reconnect Private Training Learning Initiative in LEO to provide skills scholarships to eligible students. LEO would be responsible for all of the following:

- Developing and implementing a process by which qualified private training institutions offering qualifying programs can apply to LEO.
- Developing criteria to be used for applicant institutions, including the criteria for a ***qualified occupational training program*** and ***qualified private training institution***, and posting them to LEO's website.
- Ensuring that an applicant institution is first approved as a qualified private training institution before receiving approval from LEO to be a qualified occupational training program.
- Requiring that institutions accepted to participate comply with data requests from LEO.
- Maintain on its website a list of qualified programs available to scholarship recipients.
- Award skills scholarships of up to \$1,500 to contribute to tuition costs for qualifying programs to eligible applicants. The scholarship would only be available to applicants who applied for all other available ***gift aid***, and could not cause the total amount of gift aid to exceed the cost of tuition. (***Gift aid*** would have the same meaning as in HB 5580, below.)
- Inform each recipient of eligibility requirements and program specifics.

Qualified occupational training program would mean a course of study approved by LEO that is industry-recognized, is portable and recognized by multiple employers, prepares students to pass all relevant certification examinations, is in demand in the local labor market, and is in an occupational area serving manufacturing, construction, information technology, business management, or health care. (If the course of study was an apprenticeship program, it would have to be registered with the U.S. Department of Labor.)

Qualified private training institution would mean either a for-profit or nonprofit private organization in Michigan that provides occupational training, but not four-year postsecondary degrees, that has been approved by Michigan's eligible training provider list or a consortium of businesses in Michigan offering occupational training that guarantees employment for those who successfully complete the training and has been approved by Michigan's eligible training provider list.

Eligibility

The eligibility requirements listed above for the program would also apply to applicants for the initiative, except applicants for skills scholarships would not have to be enrolled at least part-time at an eligible institution leading to an associate degree or industry-recognized certificate or credential.

Appropriation and reporting

Under the bill, the annual appropriation for the first full year of the initiative could not exceed \$1.5 million. LEO could award scholarships only until money appropriated to the initiative had been fully committed.

LEO would also have to submit an annual report to the House of Representatives and the Senate that explains the results of the initiative, including all of the following for the preceding year:

- Total number of institutions that sought approval and were approved, a list of approved institutions, and the total number and amount of scholarships awarded by each approved institution.
- Total number of programs that sought approval and were approved, a list or description of each program, and the total number and amount of scholarships awarded for each approved program.
- Total number of individuals who applied for and were awarded scholarships and the number of recipients who completed qualified programs.

House Bill 5580

The bill would amend the State School Aid Act to revise the way that funds in the Tuition Incentive Program are distributed. While the School Aid Act generally requires an institution to ensure that all known available restricted grants for tuition and fees are used prior to billing the Tuition Incentive Program for tuition or fees, the bill would create an exception from this general rule for certain cases described in HB 5576.

House Bill 5576 would exclude the following instances from the general rule:

Gift aid means federal Pell grants and tuition incentive program beneficiaries, but does not include student loans, work-study awards, qualified withdrawals made from applicable education savings accounts to pay higher education expenses, or higher education expenses paid under the Michigan Educational Trust Program or the Michigan Promise Zone Authority Act.

The amount of a Michigan Reconnect Grant could not exceed the cost of tuition at the in-district resident rate and mandatory fees at the applicable institution attended less all gift aid.

In other words, whereas now the Tuition Incentive Program provides the “last dollar”—filling gaps not met by other financial aid opportunities—Incentive Program funding would be provided ahead of Reconnect grants under the bill.

The bill is tie-barred to HB 5576, meaning that it could not take effect unless HB 5576 were also enacted.

FISCAL IMPACT:

House Bill 5576

There are a large number of factors that make it difficult to estimate the fiscal impact of HB 5576. Some of the variables involved include: the number of students that would be eligible for the program, the amount of tuition that would be covered by other financial aid programs prior to the application of a Reconnect grant, and the potential for increased enrollment at community colleges due to the Reconnect program.

Data provided from the federal Integrated Postsecondary Education Data System (IPEDS), the State Budget Office, and the Upjohn Institute in their comparison between a potential Michigan Reconnect program and the Tennessee Reconnect program, a scholarship program used as a model for the Michigan Reconnect program, were used to provide the following estimates. There were 44,089 full-time and part-time community college students that are over the age of 25 and in a degree- or certificate-seeking program in Michigan in the 2016-17 academic year. Based on the Tennessee model, 57.57% of applicants were approved for the program. Using this approval rate, 25,382 current students would qualify for funding from the Michigan Reconnect program. The Upjohn Institute estimated that after federal Pell grants and other financial aid were considered, the estimated cost per student would be \$1,197.

Using these estimates, the Michigan Reconnect program would have a first-year cost of \$30.4 million for students attending community college institutions (25,382 students multiplied by the \$1,197 estimated cost per student). This cost would increase in year two to an estimated \$48.9 million, due to the addition of a new cohort and an estimated 61% of eligible students returning for their second year in a community college program. The 61% retention rate is based on the 3-year average retention rate for Michigan community college students in the federal IPEDS database.

To the extent that the Reconnect grant program increases the number of eligible students, estimated costs would increase. However, the size and scope of the Reconnect grant program would be subject to the amount appropriated.

There are limited data on the participation levels of private training institutions or programs described in Part II. The scholarships for qualified students are capped at \$1,500 per person, and the total scholarships for private programs are capped at \$1.5 million for the first full year. This would allow 1,000 students to receive a full scholarship for private training programs.

The bill would increase administrative and oversight costs for the Department of Labor and Economic Opportunity by an unknown amount. Funding and full-time equated position authorization for costs that exceed current appropriation levels would be subject to legislative appropriation.

House Bill 5580

The fiscal impact of HB 5580 is negligible but could potentially increase costs for the Tuition Incentive Program (TIP). The bill clarifies that funding from TIP would be applied first to the community college cost of attendance if a student was eligible for both TIP and the Reconnect Grant Program. This would have no immediate fiscal impact on TIP, and could allow more potential students to be served by the Reconnect grant program. However, there could be an increase of students attending community colleges due to the influence of the Reconnect grant program who may also be TIP eligible, which would then potentially increase program costs. The amount of the potential students involved or potential program cost increases to TIP are hypothetical and cannot be determined at this time.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.