

Legislative Analysis



MICHIGAN RECONNECT GRANT ACT

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5576 (H-1) as reported from committee
Sponsor: Rep. Ben Frederick

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

House Bill 5580 as reported from committee
Sponsor: Rep. Sarah Anthony

Committee: Government Operations
Complete to 3-12-20

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.

House Bill 5580 would amend the general requirement in the 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.

FISCAL IMPACT: The fiscal impact of the bills is indeterminate and would depend on various factors, including the number of participating students and institutions, as well as the amount financial aid provided from other sources. A detailed analysis is in **Fiscal Information**, below.

THE APPARENT PROBLEM:

While the need for a highly skilled workforce is ever increasing, the supply of that labor in Michigan and nationwide is reportedly lagging. Whether because of economic barriers, a lack of information about career-oriented training and certification, or an organizational failure to connect resources with the people who need them, many worry about the Michigan workforce's ability to remain competitive in a changing economy.

In her 2019 State of the State address, Governor Whitmer proposed a Michigan Reconnect program¹ modeled on the successful program in Tennessee (described in **Background**, below). The program is intended to help Michigan to reach a goal set in the same address of 60% of Michiganders with a postsecondary credential (a high-quality industry certificate, associate degree or higher) by 2030.

Some of that goal can be met by ensuring that current high school and college students are introduced to the resources available, but committee testimony stressed the importance of taking measures to ease the path for nontraditional students, or those returning to school after an absence. The bills are intended to remove educational barriers for those students.

¹ https://www.michigan.gov/documents/whitmer/SOTS19_Fact_Sheet_646128_7.pdf

THE CONTENT OF THE BILLS:

House Bill 5576

Michigan Reconnect Grant Program

The bill states that the Reconnect program and initiative are intended to provide last-dollar financial assistance to eligible applicants, to help those applicants meet the demands of an evolving economy, and to achieve the goal of increasing the number of Michigan residents aged 25 to 64 with a college degree or skill certificate or credential to 60% by 2030.

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.
- Beginning February 1, 2021, submitting an annual report to the legislature that details all of the following:
 - The number of grants awarded.
 - The amount of funding used for oversight and implementation of the program.
 - The amount of funding used for program support services.
 - The amount of funding used for marketing.
 - The number of navigators employed by LEO and assigned to each eligible institution, and the number of Reconnect students assigned to each navigator.
 - The number of eligible institutions receiving grant funding, the number of individuals awarded those grants, and the number of recipients who earned either an associate degree or industry-recognized certificate or credential.
 - Any other relevant information, as determined by LEO.

LEO could expend program money to award grants and support its other duties concerning the program 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.)

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.)

Rulemaking

The bill would require LEO to promulgate rules to incorporate the eligibility requirements and to ensure that individuals and entities participating in the implementation of the Reconnect program use the unique statewide student ID codes issued by CEPI to track Reconnect students. LEO's rulemaking authority with respect to the program would be limited to those specific purposes.

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.

- Approving those that meet the criteria for a *qualified occupational training program* and posting the criteria to LEO's website.
- Ensuring that an applicant institution is first included 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 regional 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 is included on 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 is included on 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.

Rulemaking

The bill would require LEO to promulgate rules for developing the application, applying specified criteria (and no other) to approve qualified programs, and ensuring that participating institutions comply with LEO's data requests. LEO's rulemaking authority with respect to the initiative would be limited to those specific purposes.

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:

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*.

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.

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.

MCL 388.1856

BACKGROUND:

The Michigan Reconnect program is modeled on the Tennessee Reconnect program,² launched in 2017. Along with the Tennessee Promise program (which allowed high school graduates meeting certain requirements to attend two years of community or technical college free of tuition and fees), Tennessee Reconnect is intended to meet the state's goal of getting 55% of working-age Tennesseans to attain a postsecondary degree or certificate by 2025.

² <https://www.tn.gov/nexttennessee/tennessee-reconnect/tennessee-reconnect-one-pager0.html>

FISCAL INFORMATION:

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.

ARGUMENTS:

For:

Proponents advanced the bill as a way of ensuring that Michigan increases its proportion of highly skilled labor in order to meet the demands of an ever-evolving workforce. Additionally, it is intended to make it easier for adults to return to qualified community colleges or job training programs, with less concern about funding that education.

POSITIONS:

Representatives of the following entities testified in support of the bills (3-11-20):

Michigan Community College Association
AFT-Michigan

Representatives of the following entities testified in support of HB 5576 (3-11-20):

AFSCME Council 25
Small Business Association of Michigan

The following entities indicated support for HBs 5576 and 5580 (3-11-20):

Lake Michigan College
Kinexus

The following entities indicated support for HB 5576 (3-11-20):

Michigan League for Public Policy
Michigan Building and Construction Trades Council
Michigan Association of United Ways
Michigan Education Association
Michigan Chamber of Commerce
Michigan Regional Council of Carpenters and Millwrights
Talent 2025
Grand Rapids Chamber
Detroit Regional Chamber
Michigan Manufacturers Association
Business Leaders for Michigan
Grand Rapids Community College
United Way for Southeastern Michigan

Legislative Analyst: Jenny McInerney

Fiscal Analysts: Perry Zielak
Ben Gielczyk

■ 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.