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Senate Bill 842 (S-2) CR-1
Sponsor: Senator Kimberly LaSata
Committee: Appropriations

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CONTENT

The bill would amend the State School Aid Act to provide supplemental appropriations for fiscal year (FY) 2022-23. Specifically, the bill would add \$12.2 million in General Fund (GF/GP) money, for a gross supplemental appropriation of \$12.2 million. The bill also would create two new scholarship programs in Article III (Universities and Financial Aid) of the School Aid Act.

K-12 Appropriations

The bill would appropriate \$12.0 million GF/GP for FY 2023-23 to an eligible vendor to provide literacy tutoring services and enrichment programs to districts or intermediate districts (ISDs). The eligible vendor must use the funding over three fiscal years to implement a pilot program in at least three geographically diverse districts. The literacy tutoring services and enrichment programs provided by the eligible vendor would need to meet minimum requirements specified in the bill.

The bill also would appropriate \$200,000 GF/GP for a grant to Square One to host robotics programs and competitions for students in public schools and nonpublic schools who are enrolled in grades K through 12.

Finally, the bill would make technical changes to various sections to ensure that the formula for special education funding adopted with the FY 2022-23 budget works as intended.

Michigan Achievement Scholarship

The bill would create a new scholarship program that would be available for Michigan high school graduates or those who achieve a high school equivalency certificate in the class of 2023 or after, whose expected family contribution (EFC) as determined through the Federal Free Application for Federal Student Aid (FAFSA) is \$25,000 or less, beginning in the 2023-24 academic year. Applicants would have to be a Michigan resident for at least one year before application, be a full-time student, maintain satisfactory academic progress, and apply for all available gift aid each year that the student applies for the scholarship. The bill also specifies that a scholarship recipient attending a public community college, public university, or tribal college would not be eligible to receive a Michigan Competitive Scholarship.

Awards under the program could be used to attend a Michigan public community college or university, a private not-for-profit university, or a Federally recognized tribal college. For community colleges and tribal colleges, the maximum grant award would be \$2,750 per year, of which \$1,750 would be applied on a "first dollar" basis, and \$1,000 would be applied on a "last dollar" basis. In the context of the bill, "first dollar" means that the award would be applied to a student's account *before* other aid is applied, and "last dollar" means that the award is applied *after* other aid. For public universities the awards would be a maximum of \$5,500 per year; \$2,500 first dollar and \$3,000 last dollar. For private not-for-profit

universities the maximum award would be \$4,000 per year; \$1,000 first dollar and \$3,000 last dollar.

Scholarship awards would apply to a student's account at the institution he or she attends and would be used cover the cost of tuition and fees the student owes. First-dollar awards would be applied to those costs first, and if that first-dollar award plus any other gift aid received by the student exceeded the total amount of tuition and fees owed, the student would be able to apply any other gift aid in excess of that amount to other costs, provided the other gift aid was allowed to be used for those costs. Last-dollar awards would be applied to tuition and fee costs last, and if the amount owed by the student after all *other* gift aid was applied to the student's tuition and fees were lower than the student's last dollar award under the program, the last dollar award would be reduced to that amount.

The bill would allow a student to receive a Michigan Achievement Scholarship for up to five years, not more than three of which could be while attending a community college or tribal college.

Public Act 144 of 2022, the FY 2022-23 School Aid omnibus budget, created the Postsecondary Scholarship Fund (PSF) and provided a \$250.0 million GF/GP deposit to the PSF. The bill would amend the section creating the PSF by adding intent language that the Legislature will annually increase the deposit into the Fund by \$50.0 million each year, until the scholarship programs that would be created under the bill are fully implemented. Full implementation would occur in FY 2027-28.

The bill would require an annual report from the Department of Treasury that includes the number of students who qualified for a scholarship under the program, the number of students who actually received a scholarship under the program, the average number of credits earned by a scholarship recipient, and the number of program scholarships that were canceled due to any of the following reasons: Failure to maintain satisfactory academic progress, leaving the institution, or failure to maintain full-time student status.

The bill would require each institution whose students receive a scholarship under the program to provide an annual report on the types of institutional student aid offered by that institution. The report would have to include a description of each undergraduate institutional student aid program, a description of any changes made to undergraduate institutional aid programs relative to the previous academic year, and total undergraduate institutional student aid awards on a full-year equated student basis compared with the previous three fiscal years. The bill would create a statement of legislative intent that institutions will not make changes to their institution aid programs that have the goal or net effect of shifting the cost burden of those programs to this program.

Finally, the bill specifies that institutions that do not comply with applicable tuition restraint requirements under the School Aid Act would become ineligible for scholarship awards under the program.

Michigan Achievement Scholarship Private Training Program

The bill would earmark \$10.0 million of the \$250.0 million appropriated for the Michigan Achievement Scholarship for a skills scholarship program for Michigan high school graduates or those who achieve a high school equivalency certificate in the class of 2023 or after. The award would be up to \$2,000 per year for up to two years to assist with tuition costs at a qualified occupational training program, as defined under section 13 of the Michigan Reconnect Grant Recipient Act.

To receive a skills scholarship, an applicant would have to be a Michigan resident for at least a year before application, not have previously earned an associate or baccalaureate degree, not have previously earned a credential with a previous skills scholarship award under the

program, complete a program application, and apply for all other available gift aid. The bill would allow a recipient of a skills scholarship to use any remaining years of Michigan Achievement Scholarship eligibility to pursue an associate or baccalaureate degree; however, the bill would not allow an individual to receive both a skills scholarship and a Michigan Achievement Scholarship in the same academic year.

If the \$10.0 million earmark for program funding were not sufficient to award skills scholarships to all qualified applicants, the bill would allow for skills scholarships to continue to be issued using appropriations from the Michigan Reconnect Grant Program Short-Term Training Grants. This program has a \$6.0 million appropriation in FY 2022-23.

Finally, the bill would make a statement of legislative intent that a qualified private training institution must not make changes to its scholarship or financial aid programs that have the goal or net effect of shifting the cost burden of those programs to the Michigan Achievement Scholarship Private Training Program.

MCL 388.1611 et al.

FISCAL IMPACT

The bill would appropriate \$12.2 million GF/GP for various FY 2022-23 supplemental funding; the gross increase in appropriations would be \$12.2 million for K-12 appropriations.

The scholarship programs created under the bill would have no net fiscal impact for FY 2022-23 or 2023-24, as the original FY 2022-23 budget included a \$250.0 million GF/GP deposit into the then newly created Postsecondary Scholarship Fund, which would be the fund source for the two scholarship programs created under the bill. It is projected that the FY 2023-24 costs for the scholarships would be about \$170.0 million, an amount that would be covered by the original deposit into the Fund. This amount would increase each year as a new freshman class became eligible for a scholarship under the program and current students continued to receive the scholarship. Full implementation would occur in FY 2027-28 at an annual estimated cost of \$560.0 million.

Table 1 provides a more detailed accounting of estimated costs for the Michigan Achievement Scholarship and Training Program.

Table 1

| Michigan Achievement Scholarship Program Cost Estimates | | | | | |
|---|-------------------------------|----------------------|----------------------|----------------------|----------------------|
| | FY 2023-24¹ | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 |
| Community and Tribal Colleges | \$41,785,783 | \$67,988,791 | \$84,420,159 | \$84,420,159 | \$84,420,159 |
| 4-year Public & Private Uni. | 119,884,907 | 221,666,082 | 318,716,290 | 406,430,484 | 486,218,488 |
| Training Program | 10,800,000 | 10,800,000 | 10,800,000 | 10,800,000 | 10,800,000 |
| MCS Savings | (3,800,000) | (7,600,000) | (11,400,000) | (15,200,000) | (19,000,000) |
| TOTAL COST | \$168,670,690 | \$292,854,873 | \$402,536,450 | \$486,450,643 | \$562,438,648 |
| ¹ The programs would begin providing scholarship awards in the Fall semester of 2023. However, like other State financial aid programs, the actual reimbursements to institutions would not occur until at least the State fiscal quarter <i>following</i> the scholarship awards, which would be the first quarter of FY 2023-24. | | | | | |

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