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MICH. WORK-STUDY PROGRAMS

House Bill 4761 with committee
amendments
First Analysis (7-22-93)

Sponsor: Rep. H. Lynn Jondahl
Committee: Higher Education

THE APPARENT PROBLEM:

Public Act 288 of 1986 created the Michigan work-study (MWS) program, patterned after a similar federal program, to enable college students to work with qualifying employers and earn money to pay the costs of tuition at any of the state's degree-granting postsecondary schools. Currently, the act allows both for-profit and nonprofit employers to participate in the program; a for-profit employer must pay 50 percent and a non-profit employer 20 percent of a student's wages. While the lower match required by nonprofits is intended to reduce their burden in employing MWS students, some people feel even a 20 percent match costs most nonprofits more than they can afford and generally discourages them from seeking MWS students. Nonprofit employers many times offer services that directly benefit their communities, such as food banks, recycling programs, shelters for the homeless, and the like. Some people feel the act should include a new category of "public service employer," who would not be required to match any part of an MWS student's wages, in order to encourage more MWS student work in community welfare programs.

Also, according to information provided last session by the House Fiscal Agency, the formula for distributing MWS funds among state schools resulted in recent years in a situation where some schools failed to use all of their allocated funds while others apparently could have used more. A new formula was adopted in the 1992-93 higher education budget bill that would direct money away from the schools that had not been able to use it and toward schools that had, with the intent of seeing the allocated dollars more fully used. It has been suggested that the new allocation formula should replace the formula currently found in Public Act 288.

THE CONTENT OF THE BILL:

The act regulating the Michigan undergraduate student work-study program (MWS) permits a student at a degree-granting postsecondary school to obtain part-time employment with either a for-profit or a nonprofit employer during the academic year. A for-profit employer is required to pay 50 percent of the student's wages and a nonprofit employer must pay 20 percent. House Bill 4761 would amend the act to create a third category of employer. Under the bill, a "public service employer" (defined in the bill as "a private nonprofit agency that was exempt from federal taxation and that provided services directly to the community"), would be eligible to employ students through the MWS program at no cost if the employer:

- entered into a signed agreement with an eligible postsecondary school to provide public service employment for students recommended by the school;
- employed MWS students only for public service employment;
- did not use MWS students to displace employed workers;
- did not pay MWS students a wage that was less than the full federal minimum wage for employees over 19 years of age.

Under the bill, "public service employment" would mean work that was performed for the community welfare and that included one or more of the following activities:

- Recycling, or environmental preservation or protection.

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-- Food banks, homeless shelters, or other poverty programs.

-- Mental health, senior citizen, handicapper, or other human services.

-- Arts education or performance programs.

Currently, the act specifies that an eligible postsecondary school is to receive at least \$5,000 per fiscal year for student wages, plus an amount proportionate to its Pell grant funds for the most recent year that statistics are available. Under the bill, a school's allocation could be adjusted by an amount equal to the positive or negative percentage difference between the average amount of MWS program funds the school had received for the three most recent years for which statistics were available, and the average amount the school had disbursed for those three years. In addition, the bill would require that the Michigan Higher Education Authority deposit up to five percent of the total annual MWS appropriation in an Allocation Adjustment Fund. A school could receive an additional five percent of its total grant from this fund if the authority determined that its need was greater than the amount calculated. The allocation would be made not later than March 31 of each year. (Similar language was inserted in the budget bill providing funding for this program for the 1992-93 fiscal year and thus is the current practice.)

MCL 390.1371 et al.

FISCAL IMPLICATIONS:

According to committee testimony, the bill would not require additional funding. A representative of the Department of Education has said that the new distribution formula referred to in the bill is the current practice as similar language was placed in the 1992-93 fiscal year budget bill for the work-study program. (7-21-93)

ARGUMENTS:

For:

The bill would create a special category of nonprofit employers, those which provide special public services to a community (such as operating food banks, homeless shelters, recycling programs, art and educational programs, and related activities), who would qualify under the act to employ MWS students without having to provide any matching

funds for student wages. Currently, nonprofits are required to provide a 20 percent match to state funds for MWS student wages, and the low number of nonprofits now involved in the program seems to suggest that even this low matching amount may be more than they can afford. By adding a new category of nonprofits who would qualify for 100 percent of state funding for wages, the bill could spur more MWS students to work for nonprofits. The additional state money needed to cover wages paid by public service employers could be paid out of existing funds as some schools apparently have used little, if any, of the MWS funds allocated to them over the past several years. The distribution formula proposed in the bill could ensure that money now available for MWS students would be directed toward those schools with students that have been, or become, more involved in the MWS program.

Response:

The new distribution formula has actually been in place in the current fiscal year. It would make sense to wait to evaluate whether it has had its intended effect on use of the work-study money before making it a permanent part of the law. It could have unintended effects. In the past, some people have recommended that, rather than just taking money away from schools unable to use the funds allocated to them, the state determine why this is happening and what can be done to encourage greater work-study participation by the students at those schools.

POSITIONS:

A representative of the Higher Education Assistance Authority provided generally supportive testimony to the House Higher Education Committee, although the authority is expected to take its official position on 7-22-93. (7-21-93)

Representatives of the Michigan Collegiate Coalition, the Western Student Association (of Western Michigan University), and Eastern Michigan University Volunteer Services testified in support of the bill. (7-21-93)