

MERIT AWARD PAYMENT SHIFT

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

Senate Bill 1020

Sponsor: Sen. Johnson

Committee: Appropriations

Complete to 3-24-04

A SUMMARY OF SENATE BILL 1020 AS REPORTED BY THE HOUSE APPROPRIATIONS COMMITTEE 3-24-04

Currently, the Michigan Merit Award Act provides that Merit Awards be paid beginning in the state fiscal year for which the student is eligible for the award. This bill would amend the act to provide that, for students in the graduating high school classes of 2004 and beyond, the awards be paid beginning in the state fiscal year that begins after the beginning of the academic year for which the student is eligible for the award.

For example, under the current version of the act, awards for students graduating from high school in June 2004 and enrolling in college for academic year 2004-05 would be paid in the state's 2003-04 fiscal year (since these students would be enrolling in college in August or September, which falls in fiscal year 2003-04). Under the bill these awards would instead be paid in the state's 2004-05 fiscal year (which begins October 1, 2004—after the beginning of the 2004-05 academic year).

The bill would also move the deadline to certify college enrollment and other conditions necessary for payment of the award from September 15 to October 15, beginning with academic year 2004-05.

FISCAL IMPACT:

The change in the payment schedule under the bill would facilitate the \$63.0 million reduction made through Executive Order (EO) 2003-23 to the enacted fiscal year (FY) 2003-04 appropriation of \$130 million for the Merit Award Program. Absent this change, the \$63 million in award payments would be due in FY 2003-04 and, therefore, the current FY 2003-04 appropriation for the program would be inadequate to fully fund the awards.

This change will also allow for a similar savings in the FY 2004-05 budget. That is, the appropriation could be maintained at the level of \$67 million in FY 2004-05 before being restored to a level of \$120 to \$130 million in FY 2005-06 (not including awards tied to junior high test performance, for which costs will be incurred beginning in FY 2005-06).

The bill would have no impact on the receipt of funds by students receiving Merit Awards. Award funds (two installments of \$1,250 for students enrolled at Michigan

institutions) would continue to be available to students in the first and second academic years for which they are enrolled in college.

The table below illustrates the shift in the payment schedule and the associated budget savings under this bill.

Merit Award Appropriation Schedule

Millions of Dollars

Note: For sake of simplicity, figures are rounded to \$60.0 million and the following types of payments are ignored: (1) residual payments to individuals not initially enrolling in college in the academic year following high school graduation and (2) \$500 awards for junior high test performance.

Prior to EO 2003-23 and Senate Bill 1020

	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>Notes</u>
Class of 2003	60.0				(1)
Class of 2004	60.0	60.0			
Class of 2005		60.0	60.0		
Class of 2006			60.0	60.0	
Class of 2007				60.0	(2)
TOTAL	120.0	120.0	120.0	120.0	

After EO 2003-23 and Senate Bill 1020

	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>Notes</u>
Class of 2003	60.0				(1)
Class of 2004		60.0	60.0		
Class of 2005			60.0	60.0	
Class of 2006				60.0	(2)
Class of 2007					(3)
TOTAL	60.0	60.0	120.0	120.0	

Savings	60.0	60.0	0.0	0.0
----------------	-------------	-------------	------------	------------

Notes:

- (1) Initial \$60.0 million appropriated in FY 2002-03
- (2) Remaining \$60.0 million appropriated in FY 2007-08
- (3) \$120.0 million appropriated in FYs 2007-08 and 2008-09

Fiscal Analyst: Kyle I. Jen

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