

# Legislative Analysis

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## CHILDREN OF VETERANS TUITION ACT

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

**House Bill 5865 (Substitute H-2)**  
**Sponsor: Rep. Barb Vander Veen**

**House Bill 5866 (Substitute H-2)**  
**Sponsor: Rep. Sandy Caul**

**Committee: Veterans Affairs and Homeland Security**  
**First Analysis (5-26-04)**

**BRIEF SUMMARY:** House Bill 5865 would make technical amendments to the Michigan Veterans Trust Fund Act. House Bill 5866 would repeal Public Act 245 of 1935, which provides for a tuition grant program for the children of certain veterans, and create a similar program to be administered by the Michigan Higher Education Assistance Authority.

**FISCAL IMPACT:** House Bill 5865 would have no fiscal impact on state or local government. House Bill 5866 could reduce state expenditures by an indeterminate amount due to provisions differing slightly from those under current statute.

### **THE APPARENT PROBLEM:**

Public Act 245 of 1935 created a veterans tuition grant program to provide the children of veterans who were killed or are missing in action or who have died or are totally disabled as a result of service-related injuries with grants to attend the state's colleges and universities. The program was originally established within the Department of Education, and later moved to the Michigan Veterans Trust Fund Board of Trustees with the enactment of Public Act 371 of 1965. Responsibility for the program was later transferred to the Department of Military and Veterans Affairs by Executive Order 1995-15 (compiled at MCL 35.615). Between 1935 and 1968 the tuition grant program was funded from appropriations from the general fund. Since FY 1969-1970 (Public Act 236 of 1969), the tuition grant program has been funded from the principal and earnings of the Michigan Veterans Trust Fund (MVTF), which was created by Public Act 9 of 1946 (First Extra Session) and funded by a \$50 million post-World War II reserve created by Public Act 4 of 1943.

As stated by the MVTF Board of Trustees, "the basic mission of the Michigan Veteran's Trust Fund is to grant financial assistance to meet the emergent needs of qualified veterans and their dependents until plans can be made for more permanent care..." However, over the years, the fund has been for other reasons other than those explicitly provided in the MVTF Act. In 1959, the fund was liquidated in order to provide additional revenue for the General Fund. The fund was again liquidated in 1976 to

provide additional support for the General Fund and to pay special assessments on homestead property (principal residences) granted deferments.

The shift of funding and administration of the trust fund has not been without controversy, as the trust fund was established only to provide grants to needy veterans. The earnings of the MVTF are first provided to support the tuition grant program and to cover state administrative costs. The balance of the earnings is used for the emergency assistance grants. However, increases in the tuition grant program over the past 20 years have necessitated a reduction in the emergency assistance funding.

Problems with the allocation of funding from the MVTF nearly resulted in the end of the tuition grant program in the mid-1990's. In an attempt to meet the demands on the emergency assistance grant for FY 1994-1995, the MVTF Board of Trustees voted in June 1995 to suspend the payments for the tuition program for the rest of that year. In July 1995, the MVTF director requested an opinion of the attorney general on the authority of the board to suspend the tuition payments "in order to sustain the Emergency Grant Program" and on the "obligation on the part of the Michigan Legislature to provide sufficient resources to the MVTF for the Tuition Grant Program to prevent a drain of revenues originally designated for the operations of the Emergency Grant Program." In a letter opinion dated August 1, 1995 the attorney general ruled that the MVTF could not suspend tuition payments and ordered the MVTF to continue to administer the program as mandated by law. (The attorney general declined to rule on the other questions related to funding the program as those concerns were principally the province of the legislature and not the Office of the Attorney General.)

In response to the actions of the MVTF (and concerns raised by veterans receiving assistance) the legislature sought to ease the financial burden of the tuition grant program on the MVTF, and limited the amount of assistance under Public Act 245 to \$2,800 per year, although students enrolled prior to October 1, 1996 are still eligible to receive a waiver on all tuition costs. In addition, House Bill 5640 of the 1995-1996 legislative session would have established a Veterans' Dependents' Education Fund, which would provide funding for tuition grant program. (The bill was reported out of the House Committee on Senior Citizens and Veterans Affairs in May 1996, and remained on the House floor through the adjournment of the 1995-1996 legislative session.) The program continues to be funded with the support of the Michigan Veterans Trust Fund. Legislation has been introduced to shift responsibility of the program from the Michigan Veterans Trust Fund and the Department of Military and Veterans Affairs to the Michigan Higher Education Assistance Authority.

### ***THE CONTENT OF THE BILL:***

#### ***House Bill 5865 - Veterans Trust Fund Act amendments***

The bill would make no material change to the Michigan Veterans Trust Fund Act. It would simply delete the following outdated sections.

-- Section 1a, concerning the repayment of the balance of the trust fund following the fund's liquidation in 1959.

-- Section 1b, concerning the transfer of funds from the trust fund and a repayment from the general fund related to the construction of the veterans home in Grand Rapids.

-- Section 1c, concerning repayment of the balance to the trust fund and appropriations for the continuation of the programs funded by the trust fund (including the tuition grant program) following the trust fund's liquidation in 1976.

-- Section 1f, concerning an appropriation from the trust fund for the construction of an outpatient facility at the Grand Rapids veterans home, and the repayment of the balance of the trust fund.

### ***House Bill 5866 - Children of Veterans Tuition Act***

The bill would repeal Public Act 245 of 1935 and enact a new act to be known as the Children of Veterans Tuition Act, which would provide for a tuition waiver program that would be administered by the Michigan Higher Education Authority beginning in the 2004-2005 academic year. The bill generally rewrites and updates the provisions of Public Act 245. The bill is tie-barred to House Bill 5865 or Senate Bill 1247.

*Benefits* - Under the provisions of the program, the institution would waive up to \$2,800 in tuition for the student. A student could not receive a tuition waiver under the bill and/or Public Act 245 for more than four academic years. The authority would be required to notify students receiving assistance under Public Act 245 of the repeal of that act and of the availability of assistance under the bill. Students eligible to receive a waiver on all tuition and fees under Public Act 245 would receive a waiver for all tuition for the 2004-2005 academic year. *[Public Act 245 waives the first \$2,800 in tuition and fees for all eligible students at private and public institutions who entered the program after October 1, 1996. Students may receive aid under Public Act 245 for up to 36 months of full-time equivalent status. For students who entered the program before October 1, 1996, the program waived all tuition and fees for those attending a public institution and the first \$2,800 for those attending a private institution.]*

*Eligibility* - The tuition waiver program would be open to a student who meets the following criteria: (1) is enrolled as a full-time undergraduate student at an eligible institution; (2) is between 17 and 25 years of age; (3) is the natural or adopted child of a "Michigan veteran" who was killed in action or died from another cause while serving in a war, is adjudged to have died from a service-related injury or be totally and permanently disabled as a result from a service-related injury, is deceased but, prior to death, was adjudged to be totally and permanently disabled from a service-related injury, or is officially listed as missing in action (MIA); (4) a resident of the state for the 12-months immediately prior to application; (5) maintains a cumulative grade point average of at least 2.25; (6) has signed a tuition waiver agreement with the institution; (7) has not been convicted of a felony involving assault, physical injury, or death; and (8) otherwise

complies with the act and applicable rules. *[The first four criteria are currently in Public Act 245, and the GPA requirement is contained in the administrative rules. However, the bill requires the student to be a child of a veteran who is “totally and permanently disabled”, whereas current law provides that the veteran be “totally disabled”.]*

*Reimbursement* - To be reimbursed by the state for the amount of tuition waived under the program, a participating institution would have to submit an application for reimbursement to the authority within 60 days after the end of the academic year. The application would include (1) the total number of students receiving a waiver; (2) the amount of tuition waived; and (3) an itemized list of the name of each student receiving a waiver, the student’s GPA for the year and the cumulative GPA, the student’s transcript for the year, the amount of tuition waived for each student, and a certification that the student is eligible for the program. The authority would verify the amount of tuition waived and report that amount to the legislative appropriations subcommittees on higher education and community colleges. The legislature would appropriate the reimbursement directly to the institution and to the authority for distribution to the institutions that do not receive a state appropriation.

*Authority responsibilities* - The waiver program would be administered by the Michigan Higher Education Authority. In addition, the authority would develop a tuition waiver agreement to be entered into by the student and the eligible institution that contains the terms of the tuition waiver and the rights and obligations of both parties. The authority would have the authority to promulgate administrative rules.

*Eligible institution* - The bill would define “eligible institution” to mean a degree- or certificate-granting public or independent nonprofit college or university, junior college, or community college in the state.

### ***BACKGROUND INFORMATION:***

For further information on the Tuition Grant Program, the Michigan Veterans Trust Fund, and other state programs for veterans see the House Fiscal Agency’s November 2000 report entitled, “Fiscal Focus: Michigan Veteran’s Programs.” The report is available on the HFA’s website at <http://www.house.mi.gov/hfa/PDFs/veteran.pdf>

### ***FISCAL INFORMATION:***

The transfer of the veterans survivor tuition waiver program from the Department of Military and Veterans Affairs to the Michigan Higher Education Assistance Authority that would be accomplished by House Bill 5866 would, by itself, have no net impact on state expenditures. Two provisions in the bill that differ slightly from the provisions under Public Act 245 of 1935 could, however, result in reduced state expenditures.

First, the existing act refers to veterans who are "totally disabled." The bill refers to veterans who are "permanently and totally disabled." Some veterans whose dependents are currently participating in the program may be totally, but not permanently, disabled.

Second, the current act allows for 36 months of full-time equated college undergraduate education under the program. The bill limits participation in the program to no more than four academic years. It is possible that some students are currently enrolling in 36 months of education that cross more than four fiscal years and receiving more than \$11,200 in total waivers (\$2,800 times four).

(Note: The 2.25 cumulative GPA requirement in the bill exists in the current administrative rules governing the program, so the addition of this requirement in the statute would have no impact on the number of eligible students.)

It is unknown how many students would fall into these two categories, so the amount of any reduction in state expenditures is indeterminate. In FY 2002-03, 484 students participated in the program, receiving waivers totaling \$1,025,524.

House Bill 5865 would have no fiscal impact on state or local government.

### ***ARGUMENTS:***

#### ***For:***

The bills, particularly House Bill 5866, are necessary to ensure the continuation of the emergency assistance grants provided by the Michigan Veterans Trust Fund. The principal purpose of the trust fund is to provide the emergency assistance grants, not the tuition grants under Public Act 245. There has never been a clear statutory basis under which the MVTF is required to support the tuition grant program. The administration of the tuition grant program transferred from the Department of Education to the MVTF Board with the enactment of Public Act 371 of 1965, and MVTF money was first used in FY 1969 (see Public Act 236 of 1969) for the tuition grant program. To this day, the MVTF Act contains no specific provision requiring that a portion of the trust fund's earnings support the tuition grant program, although Public Act 245 provides that "appropriations provided to the institutions or state board of education for this purpose shall be made to the Michigan Veterans Trust Fund Board of Trustees." (MCL 35.112) It seems that historical inertia of more than 30 years, more than anything, has required the MVTF to support the tuition grant program. Moreover, the August 1995 letter opinion of the attorney general seems to require the continued support from the trust fund, notwithstanding its impact on the funding for the emergency assistance grants.

That being said, the MVTF support for the tuition grant program effectively takes away available funding for the emergency assistance grants provided to veterans in need, which is the original purpose of the MVTF. This has been a problem for quite sometime, particularly as the earnings of the trust fund decline during an economic downturn, as evident by the attempt of the MVTF to suspend tuition payments in 1995. The tuition grant program has become the principal beneficiary of the earnings from the MVTF, and when those earnings decrease and tuition costs increases, they are balanced out by declines in the emergency assistance grants. This prospect goes against the principal purpose of the trust fund and is clearly unsustainable, and efforts should be made to

remove the support of the program from the MVTF. In addition, transferring administrative responsibility for the program from the Department of Military and Veterans Affairs to the Michigan Higher Education Assistance Authority makes sense as the MHEAA currently administers other scholarship programs, including a similar federal scholarship for the children of veterans.

***POSITIONS:***

The Department of Military and Veterans Affairs supports the bills. (5-25-04)

The Michigan Veterans Trust Fund Board of Trustees supports the bills. (5-25-04)

The American Legion supports the bills. (5-25-04)

The Department of Michigan, Veterans of Foreign Wars supports the bills. (5-25-04)

Legislative Analyst: Mark Wolf  
Fiscal Analysts: Kyle Jen  
Hannah Lee

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■ 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.