

MICHIGAN MERIT SCHOLARSHIP; SERVICE ACADEMIES



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FISCAL ANALYSIS

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HOUSE BILL 4330 (H-4)

Sponsor: Rep. Jerry Vander Roest

House Committee: Education

ENROLLED ANALYSIS - 1/9/03

Analyst(s): Hank Prince

SUMMARY

HB4330, as passed by the legislature and signed by the Governor as Public Act 736 of 2002, amended the Michigan merit award scholarship act to increase the value of Merit awards used by students enrolling in one of five military service academies from \$1,000 to \$2,500. Those academies are located in West Point (NY), Annapolis (MD), Colorado Springs (CO), Kings Point (NY), and New London (CT).

Previous law limited the value of a Merit Award to \$1,000 for enrollment in an out-of-state institution. If the student subsequently enrolled at an in-state postsecondary education institution within the current four-year time limit, the student would be eligible for an additional \$1,500 Merit Award scholarship.

Data from the Merit Award program staff indicate that 51 high school graduates from the Class of 2000 and 51 from the Class of 2001 earned Merit awards and enrolled in the U.S. Military Academy, the U.S. Naval Academy, the U.S. Air Force Academy, the U.S. Merchant Marine Academy, or the U.S. Coast Guard Academy. Had they been eligible for a \$2,500 out-of-state stipend, the state cost would have been about \$77,000 higher annually. Since these service academies are selective in admissions, it is unlikely that the cost of this proposed change would exceed \$100,000 annually through 2008, when the number of Michigan high school graduates will peak and begin to decline due to demographic factors.

HB 4330 also permits Award recipients enrolled in military service academies to use the Award for reimbursement of application fees. The increase in future state costs is indeterminate, since the number of Award recipients enrolling in these military service academies in future academic years is unknowable at this time.

Furthermore, HB 4330 amended section 8 of the Merit Award scholarship act to require payment of the award in two consecutive annual installments for students graduating after March 1, 2003. The first installment cannot exceed 50% of the award. This change will create a one-time savings of approximately \$50 million, which is the figure included in Executive Order 2002-22, approved by the respective Appropriations Committees on December 5, 2002.

The cost of increasing the value of the award to recipients enrolling in service academies and the one-time savings attributable to the payment of awards in consecutive installments would occur within the Michigan Merit Award Trust Fund and would not affect the state's General Fund.

The enacted legislation provides for an extension of the certification deadline from September 30, 2002 to January 15, 2003 for academic year 2002-03 only. It also changes the certification date for payments in future academic years to September 15 of each calendar year.