



EDUCATION INITIATIVES

**Tobacco Settlement
Revenue –
Investments in Youth**

PROMISING PRACTICE PROFILES

Michigan Promise Scholarship Program

SUMMARY

The Michigan Promise scholarship program encourages students to excel in education by providing up to \$4,000 to high school graduates for successfully completing two years of postsecondary education. The scholarship program is funded through the tobacco Master Settlement Agreement (MSA) revenues received by the state annually. The scholarship is available to all public school, public school academy, nonpublic school, and home-school students who have completed the Michigan Merit Exam (MME). Students are required to achieve a minimum college grade point average (GPA) of 2.5 to receive the full scholarship. This scholarship covers the cost of tuition for a two-year degree at a Michigan community college and can be used at any approved, accredited university, college or technical training program. The Michigan Promise scholarship program was established in 2007 to replace the Michigan Merit Award, a scholarship program established by the Michigan legislature in 1999 for the high school graduating Classes of 2000 through 2006. Since 2000, over 400,000 students have received either a Merit award or Promise scholarship, significantly increasing access to post-secondary education in the state.

For youth programs to be successful, policymakers, program leaders and intermediary organizations need access to flexible and sustainable sources of funding. State payments from the tobacco Master Settlement Agreement (MSA) currently fund a range of health, education, prevention, and other initiatives serving young people. This series of promising practice profiles focuses on the use of MSA funds to support educational programs and services that promote positive development of youth, including the prevention of smoking and the adoption of healthy behaviors.

BACKGROUND

Since 2000, Michigan has received approximately \$300 million per year as part of the Master Settlement Agreement (MSA). Through legislation, Michigan committed tobacco settlement revenue to two trust funds: the Michigan Merit Award Trust Fund and the Tobacco Settlement Trust Fund. (The latter trust fund was abolished by legislation in 2005.) From 2001-2007 the Michigan Merit Award Trust Fund received 75% of the State's revenue from the settlement with the tobacco industry. In 2007, however, a portion of the MSA payments were securitized and the lump sum payment was used to address a state budget deficit. In addition, legislation allocated \$75 million of tobacco settlement revenues (that had not already been securitized), annually from

2008 through 2015, to the 21st Century Jobs Trust Fund. The Michigan Merit Award Trust Fund supports a variety of health and education programs, including the Michigan Promise scholarship program.

The Michigan Promise scholarship program was established in 2007 to replace the Michigan Merit Award, a scholarship program created by the Michigan legislature in 1999 for the high school graduating Classes of 2000 through 2006. The Michigan Merit Award provided up to \$3,000 to high school graduates for outstanding performance on the Michigan Educational Assessment Program (MEAP) tests. The Michigan Promise scholarship program provides up to \$4,000 to Michigan high school graduates who receive valid scores on the Michigan Merit Exam (MME) and meet all eligibility requirements. The Michigan Merit Examination (MME) assesses students in grade 11 and eligible students in grade 12 based on established Michigan high school standards.

The Michigan Promise scholarship program is solely supported by MSA funding and accounts for nearly 40 percent of the state's student financial aid. It provides previously unavailable financial assistance to Michigan families for advanced education and training. The scholarship program has received \$877,179,400 in MSA revenue from FY2000-FY2008, with annual payments ranging from \$252 to \$328 million per year.

IMPLEMENTATION

The Michigan Promise scholarship program provides up to \$4,000 to Michigan high school graduates who receive valid scores on the Michigan Merit Exam (MME) and who complete these requirements:

- Take the complete MME while in high school.
- Graduate from high school (or GED) and enroll at an approved/accredited Michigan postsecondary institution or military service academy within two years of high school graduation.
- Complete the postsecondary education requirements (associate degree, two-year certificate, vocational education program, or 50% of the academic requirements for a bachelor's degree, which is 60 semester or 90 term credits) within four years of initial enrollment.
- Achieve a cumulative college GPA of 2.5.

All scholarship payments are made directly to the postsecondary institution and are issued by the Department of Treasury. The scholarship does not preclude students from receiving other federal or state awards.

The Michigan Promise scholarship program is administered by the Office of Scholarships and Grants (OSG). The OSG provides a "one-stop-shop" for the administration of Michigan's scholarship and grant programs, including eleven State and four federally-funded scholarship and grant programs. These programs allow Michigan students access and choice in achieving their higher education goals.

In its administration of the Michigan Promise scholarship program, the OSG is responsible for:

- Notifying students about the program.
- Verifying student completion of the MME.
- Verifying student residency.
- Assisting students with certification of his/her scholarship.
- Disbursing payments to institutions.

- Verifying application information with institutions.
- Providing technical assistance to institutions.
- Monitoring program expenditures.

Postsecondary institutions are responsible for:

- Verifying student enrollment.
- Applying program funds to student accounts.
- Verifying credits, degrees and cumulative GPA information.
- Providing refunds when appropriate.
- Completing fiscal year-end reports and other reports as required.
- Identifying the program in communications to the student.
- Maintaining all program records, including records of student eligibility, scholarship payments and refund calculations, for a minimum of three years from the date the institution submits its fiscal year-end report.

EVALUATION

The Michigan Department of Treasury is required to submit, by April 1 of each year, a report on its activities to the governor and to the standing committees of the Senate and House of Representatives with primary jurisdiction over higher education issues. This report includes the number of Michigan promise scholarships and the amount of Michigan promise scholarship money paid by the department in the immediately preceding fiscal year. The scholarship program has received \$877,179,400 in MSA revenue from FY2000-FY2008, and awarded over 400,000 students with either a Merit award or Promise scholarship.

KEY TO SUCCESS

- ✓ The scholarship program accounts for nearly 40 percent of the state's student financial aid, **providing previously unavailable financial assistance** to Michigan families and **significantly increasing access to post-secondary education** in the state.
- ✓ **Eligibility is based on high school students' qualifying performance on established academic standards** through a state assessment administered to all Michigan public school students (MEAP before 2007 and MME for 2008 and beyond).
- ✓ The scholarship program is **administered by the Office of Scholarships and Grants, a one-stop-shop for all of Michigan's scholarship and grant programs**, allowing Michigan students access and choice in achieving their higher education goals.

RESOURCES

Websites

- Michigan Educational Assessment Program, http://www.michigan.gov/mde/0,1607,7-140-22709_31168---,00.html
- Michigan Merit Award, <http://www.michigan.gov/meritaward>

- Michigan Merit Examination, http://www.michigan.gov/mde/0,1607,7-140-22709_35150---,00.html
- Michigan Promise Scholarship, <http://www.michigan.gov/promise>
- Office of Scholarships and Grants, www.michigan.gov/osg
- The Finance Project's Tobacco Settlement Revenue - Investments in Youth Initiative, <http://www.financeproject.org/tobacco>

Publications

- Michigan Promise Procedures Manual (updated May 2008), http://www.michigan.gov/documents/mistudentaid/PromiseManual_204494_7.pdf
- The Finance Project, *Tobacco Settlement Agreement State Profile-Michigan* (2008). Available online at: <http://www.financeproject.org/tobacco/factsheet.cfm?abbr=MI>
- Tobacco Master Settlement Agreement, Available online at: http://www.naag.org/backpages/naag/tobacco/msa/msa-pdf/1109185724_1032468605_cigmsa.pdf

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This Profile is part of a series of resources developed by The Finance Project intended to provide key state decision makers and opinion leaders with the information and tools necessary to consider how tobacco Master Settlement Agreement revenues can support initiatives that promote the positive development of youth, including the prevention of smoking and the adoption of healthy behaviors. The Finance Project has not conducted program evaluations of the initiatives profiled and does not endorse particular policies, practices, or programs. This Profile was developed under a grant from Underage Tobacco Prevention: Philip Morris USA, an Altria Company. For more information, visit www.financeproject.org/tobacco or email tobacco@financeproject.org.