

State Notes

TOPICS OF LEGISLATIVE INTEREST

Summer 2016



State Student Financial Aid Programs **By Bill Bowerman, Associate Director**

Introduction

Discussions regarding State funding of Higher Education during periods of revenue declines focus mainly on university operations funding. Budget difficulties from fiscal year (FY) 2001-02 through FY 2011-12 resulted in a \$408.3 million (25.3%) reduction in State funding for university operations. However, during the same time period, there also were significant reductions to State student financial aid programs. In FY 2001-02, appropriations for student financial aid in the Higher Education budget totaled \$257.8 million, with all but \$4.9 million being funded from State resources. By FY 2010-11, appropriations for student financial aid totaled \$93.1 million, a 63.9% decrease over that time period. Instead of State funding sources, most of the student financial aid programs in the Higher Education budget are now supported by Federal funds. This article provides an overview of State financial aid programs funded in the Higher Education budget.¹

Unfunded Financial Aid Programs

Major reductions to State student financial aid programs were implemented in the FY 2009-10 budget. While the statutes that created these programs were not repealed, funding was eliminated for the assistance described below.²

Michigan Work Study Program. Public Acts 288 and 303 of 1986 created this program to enable eligible postsecondary undergraduate, graduate, and professional schools to help eligible students meet educational expenses by placement in employment. Fiscal year 2008-09 was the last year in which the State appropriated funding for this program, at \$7.3 million. During that year, 5,583 awards, totaling \$7.0 million were issued.

Part-Time Independent Student Grants. Public Act 102 of 1986 created this grant program to further the pursuit of postsecondary education by part-time independent students who had financial need. The maximum grant was set at \$600. The last State appropriation for this program was in FY 2008-09. In that fiscal year, there were 5,868 awards totaling \$2.7 million.

Michigan Educational Opportunity Grants. Public Act 273 of 1986 created this grant program to enable eligible postsecondary schools to help eligible students meet educational expenses. Postsecondary degree-granting public institutions were eligible to participate in the program. The annual grants to students were limited to remaining financial need or \$1,000, whichever was less. In FY 2008-09, the last year in which this program received an appropriation, 4,435 awards, totaling \$2.1 million, were made.

¹ This article does not include dual enrollment funding, Fostering Futures Scholarships, or the Federal GEAR UP program.

² Source for all information regarding grant awards: Michigan Department of Treasury, Student Financial Services Bureau, Annual Reports.



Michigan Nursing Scholarship. Public Act 591 of 2002 created the Nursing Scholarship Program, which provided financial scholarships to nursing students who agreed to pursue nursing careers in Michigan. Scholarships were limited to \$4,000 annually, but could not exceed an amount equal to the recipient's eligible costs minus other grants and scholarships the recipient received. An individual could not receive scholarship assistance for more than four academic years. The last year in which the Legislature appropriated funds for this program (FY 2008-09), 1,546 awards were issued with a total cost of \$4.4 million.

Michigan Promise Scholarship. Public Act 479 of 2006 created the Michigan Promise Grant Program, which provided up to \$4,000 to students who tested at a certain level on the high school Merit Exam and/or who completed two years of postsecondary education with at least a 2.5 grade point average. This grant program replaced the Merit Award Program beginning with the high school class of 2007. In the last year the program received funding (FY 2008-09), 73,565 students received awards totaling \$74.1 million. If the program had continued to receive funding in FY 2009-10, costs in that year would have been approximately \$100.0 million. Long-run projections had annual costs reaching \$180.0 million within the next three to five years.

Remaining Student Financial Aid Programs

The following is a description of student financial assistance programs that continue to be funded.

State Competitive Scholarships. Public Act 208 of 1964 created State Competitive Scholarships. The program provides grants to undergraduate students at Michigan two-year and four-year, public and private, institutions. Students are eligible for up to 10 semesters if they have financial need and a qualifying American College Testing (ACT) score. (Graduate students are eligible for six semesters if funds are sufficient.) In FY 2009-10, State Competitive Scholarships were reduced by \$17.9 million (50.4%), from \$35.5 million to \$17.6 million. In order to adjust to reduced funding levels, grants for graduate students were eliminated and the award amount for undergraduates was reduced by \$790 (60.8%), from \$1,300 to \$510. The FY 2015-16 award amount is \$636.

Tuition Grants. Public Act 313 of 1966 established Tuition Grants. Undergraduate students at Michigan two-year and four-year private institutions are eligible for up to 10 semesters (or six semesters for graduate students, if funds are sufficient), if they have financial need. The FY 2015-16 minimum annual grant stated in Section 252 of the State School Aid Act is \$1,512. In FY 2009-10, Tuition Grants were reduced by \$25.0 million (44.1%), from \$56.7 million to \$31.7 million. The impact of the funding reductions included eliminating Tuition Grants for graduate students and the imposition of a \$3.0 million cap on the amount any single institution may receive from the grants to its students. (The FY 2015-16 appropriation has a \$3.2 million cap.) The \$3.0 million limitation resulted in students at Baker College receiving \$17.9 million less (85.6%) than the FY 2008-09 amount and students at Davenport University receiving \$3.4 million (53.0%) less than in FY 2008-09. From FY 2008-09 to FY 2009-10, the number of students statewide receiving tuition grants dropped by 12,140 (34.0%), from 35,660 to 23,520. In FY 2009-10, the award amount was reduced by \$490 (23.3%), from \$2,100 to \$1,610. In FY 2010-11, the award amount was further reduced to \$1,512. The award amount for FY 2015-16 is \$1,830.



Tuition Incentive Program. The Tuition Incentive Program (TIP) is a financial aid program targeted toward low-income middle school and high school students. It was established in FY 1986-87 through language in the Department of Social Services appropriation bill. In FY 1992-93, TIP was transferred to the Higher Education budget. The Program provides an incentive for students to complete high school and go on to college by pledging to pay tuition and mandatory fees for associate degree or certificate programs (Phase I), and also pay a total of up to \$2,000 at a four-year institution (Phase II) for the third and fourth years of four-year degree programs. Unlike other State student financial aid programs, there is no statutory authorization to prorate grants based on available funding. Annual appropriations for TIP began at \$2.0 million, and were originally funded from the State General Fund. Since FY 2000-01, TIP expenditures have increased by 960%, from \$5.0 million to an estimated \$53.0 million in FY 2015-16. There have been recommendations to change the program to limit costs; however, to date, none have been enacted.³

Children of Veterans Tuition Grant. Public Act 248 of 2005 repealed a program that had been established in 1935 and replaced it with tuition grants for children of certain Michigan veterans who either died or were permanently disabled. An undergraduate student at a Michigan two-year or four-year, public or private, institution is eligible for up to four academic years if the student maintains a 2.25 cumulative grade point average. The grants are funded from a State income tax check-off and the General Fund. The annual grant maximum is \$2,800 for a full-time student, and \$1,400 for a part-time student. Grants are limited to four academic years and may be reduced on a prorated basis to reflect the available funding for the program.

Police Officer's and Firefighter's Survivor Tuition Grant Programs. Public Act 195 of 1996 provides for a waiver of undergraduate tuition at State public institutions of higher education and community colleges for certain children and surviving spouses of Michigan police officers and firefighters killed in the line of duty. The grant covers eligible tuition expenses and is limited to nine semesters. This program is currently supported entirely by the State General Fund.

Table 1 provides a history of awards and grants for State Competitive Scholarships and Tuition Grants, Tuition Incentive Program, Children of Veterans Tuition Grant, and Police Officer's and Firefighter's Survivor Tuition Grant.

North American Indian Tuition Waiver Program. Public Act 174 of 1976 provides for free tuition for North American Indians who are residents of Michigan and attend Michigan public community colleges, public universities, and certain Federal tribally controlled community colleges. The Act requires the State to annually reimburse each State institution of higher education for the total amount of tuition waived during the immediately preceding fiscal year and requires the Legislature to annually appropriate the funds necessary to implement the Act. Before FY 1996-97, there was a separate line-item appropriation in the Higher Education appropriation bill to fund tuition waiver costs incurred by public community colleges and universities. In FY 1996-97, the separate line item was eliminated and amounts were rolled into the base appropriations of individual universities and community colleges. While Public

³ For more information on TIP, see the Senate Fiscal Agency Spring 2016 *State Notes* article: <http://www.senate.michigan.gov/sfa/publications/notes/2016notes/notesspr16bb.pdf>.



Act 174 of 1976, as amended, still requires the State to "reimburse each institution for the total amount of tuition waived during the prior fiscal year", that process has not been in effect since FY 1996-97. Reductions in State funding for higher education and community colleges, the level of participation in the tuition waiver program, and increases in tuition have contributed over time to the disparity between the actual cost of the program and the amounts built into the base appropriations of individual community colleges and universities. Educational institutions have absorbed the difference between the amount included in base appropriations and the actual cost of the tuition waivers. The FY 2014-15 actual cost of the waivers was \$11.4 million, compared to the calculated \$4.8 million remaining in university and college operations funding, leaving \$6.6 million of costs to be absorbed by the educational institutions.⁴

Conclusion

State support for student financial aid was substantially affected by budget difficulties that began in 2001. Along with overall reductions, beginning in FY 2007-08, the State shifted the cost of most student financial aid programs from State resources to Federal Temporary Assistance to Needy Families (TANF). In FY 2001-02, State resources accounted for 98.1% of the \$257.8 million appropriation for student financial aid programs. In FY 2015-16, State General Fund support accounts for \$8.4 million of the \$105.5 million appropriation for student financial aid in the Higher Education budget.⁵ The FY 2015-16 appropriation for financial aid in the Higher Education budget is \$152.3 million (59.1%) below the FY 2001-02 appropriation of \$257.8 million. While the State has reduced appropriations for financial aid, universities have increased their general fund expenditures for financial aid. In FY 2014-15, university expenditures for financial aid totaled \$739.1 million, a \$497.2 million (205.5%) increase over the \$241.9 million reported in FY 2001-02.⁶ As with State reductions to university operations, institutions in effect have offset State financial aid reductions with revenue generated from tuition.

⁴ For more information on the Indian Tuition Waiver Program, see the Senate Fiscal Agency Winter 2015 *State Notes* article:

<http://www.senate.michigan.gov/sfa/publications/notes/2015notes/noteswin15bb.pdf>.

⁵ The amount does not include funding built into university operations funding for the North American Indian Tuition Waiver Program, or the pending supplemental for TIP.

⁶ Source: Michigan Higher Education Institutional Data Inventory (HEIDI).

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Table 1

State Student Financial Aid Programs										
Fiscal Year	Competitive Scholarships		Tuition Grants		Tuition Incentive Program		Children of Veterans Tuition Grants		Police Officer's & Firefighter's Survivor Tuition Grants	
	Awards	Amount	Awards	Amount	Awards	Amount	Awards	Amount	Awards	Amount
2001-02	28,276	\$30,480,449	32,844	\$68,794,922	4,325	\$5,250,000	481	\$992,828	6	\$26,165
2002-03	29,511	30,886,438	36,960	65,723,576	5,401	8,650,000	441	924,298	3	17,772
2003-04	29,485	39,605,384	37,045	52,996,579	6,578	11,281,720	417	920,863	4	21,784
2004-05	28,580	37,425,962	37,958	53,989,044	7,637	11,705,482	446	986,532	3	20,985
2005-06	26,434	34,573,693	35,942	51,094,356	9,046	14,694,653	368	812,595	5	20,695
2006-07	27,802	37,030,387	34,141	50,961,457	10,462	17,600,277	356	801,428	4	18,324
2007-08	27,885	37,071,451	35,518	53,088,352	11,701	21,219,255	400	860,722	4	19,985
2008-09	28,832	38,444,428	35,660	54,864,134	13,957	26,678,697	427	948,324	4	23,775
2009-10	32,220	21,377,766	23,520	25,480,385	15,558	31,365,000	423	945,115	3	30,893
2010-11	34,943	19,386,105	22,269	30,559,185	16,424	34,650,729	410	996,674	5	38,811
2011-12	34,413	18,161,336	21,827	30,769,572	17,266	38,367,537	404	945,170	6	54,451
2012-13	33,891	17,790,631	22,226	30,897,053	18,166	43,013,226	414	967,853	12	103,974
2013-14	31,161	18,164,609	22,642	31,271,999	17,989	45,720,824	418	1,006,303	12	90,850
2014-15	29,527	18,186,013	21,893	32,620,997	18,189	49,341,411	458	1,062,503	12	88,335