

# State Notes

## TOPICS OF LEGISLATIVE INTEREST

Winter 2020



### **North American Indian Tuition Waivers - Update on Recent Legislative Action** **By Josh Sefton, Fiscal Analyst**

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Public Act 174 of 1976 provides for a waiver of tuition for North American Indians who are residents of Michigan and attend a public university, community college, or certain Federal tribally-controlled community colleges located in Michigan. (The full text of the Act is provided in the Appendix to this article.) Since the early 1980s there have been various efforts to eliminate the program entirely, as well as efforts to fully reimburse for costs incurred under the program as is the case under the fiscal year (FY) 2019-20 higher education budget. This article provides an update to the funding disparity issues discussed in the 2012 and 2015 Senate Fiscal Agency *State Notes* articles on the North American Indian Tuition Waiver Program, as well as a discussion of recent legislative action on this issue.

#### Background

The Waiver of Tuition for North American Indians Act, as enacted in 1976, provided for free tuition for full-time students who were legal residents of Michigan for at least 18 months, and were certified by the Michigan Commission on Indian Affairs as at least one-half quantum blood Native American. The Act did not provide for State reimbursement to public universities and community colleges. In 1978, the Act was amended to require the State, upon application, to reimburse each institution for the total amount of tuition waived during the previous fiscal year. The 1978 amendments also reduced the minimum quantum blood requirement to one-quarter from one-half, reduced the residency requirement from 18 months to 12 months, and extended waivers to part-time students. In 1993, an amendment extended the tuition waiver program to Federal tribally controlled community colleges. This change affected Bay Mills Community College and Saginaw Chippewa Tribal College.

Before FY 1996-97, there was a separate line-item appropriation in the higher education appropriation bill to fund tuition waiver costs incurred by 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 in order to continue funding costs of the program. The amounts rolled into base appropriations were calculated using a three-year average cost of waivers by institution. This change was made because of indications that then-Governor Engler would veto funding for the North American Indian tuition waivers. From that time until FY 2014-15, there was no specific earmarking of funds for Indian tuition waiver reimbursements, with the exception of pass-through appropriations in the higher education appropriation for the Saginaw Chippewa Tribal College and Bay Mills Community College.<sup>1</sup> Public Act 174 of 1976, as amended, requires the State to "reimburse each institution for the total amount of tuition waived during the prior fiscal year". Until FY 2019-20, that process had not been fully implemented since FY 1996-97, when the separate line-item appropriation for reimbursement was eliminated.

#### Funding Disparity

Since Public Act 174 of 1976 simply waives tuition for qualifying students, the cost of the waivers to institutions is the forgone tuition that otherwise would have been collected had the

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<sup>1</sup> Article III, Sec. 269 and Sec. 270 of Public Act 265 of 2018. This Act amended the State School Aid Act, which is where annual appropriations for higher education have been made since FY 2011-12.

# State Notes

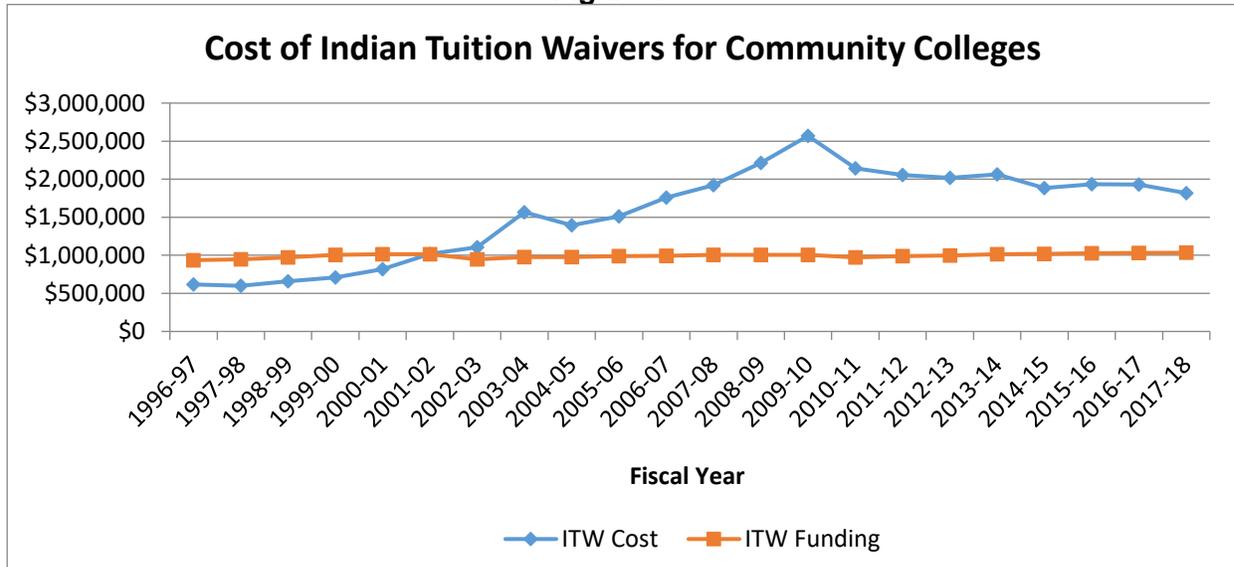
## TOPICS OF LEGISLATIVE INTEREST

Winter 2020

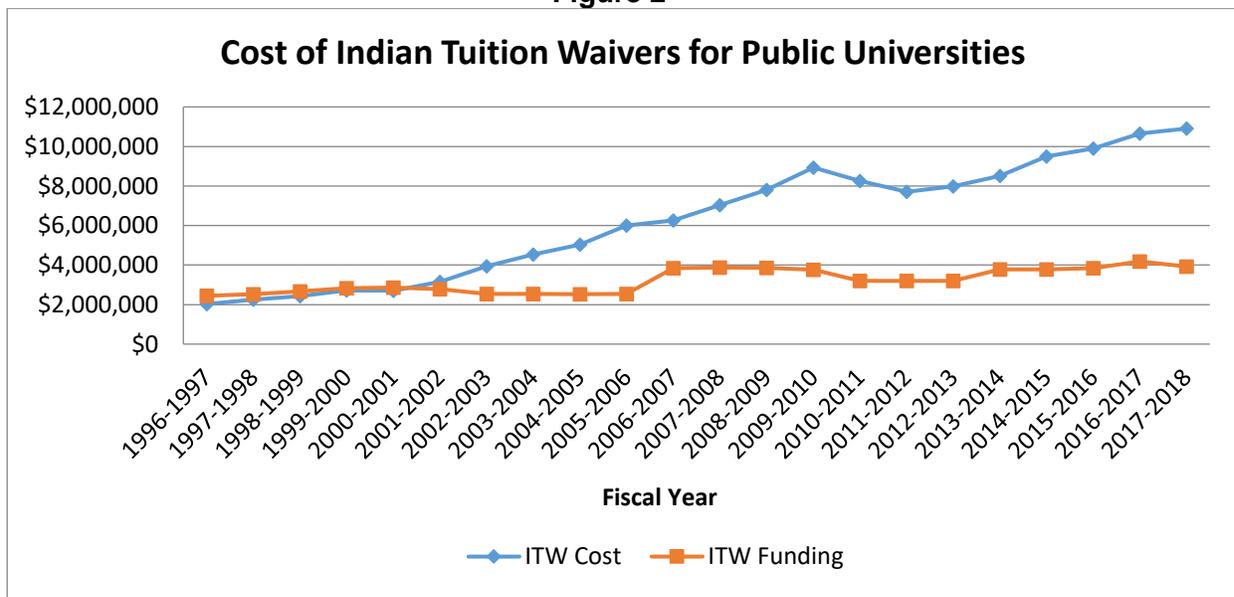


student not qualified for the tuition waiver. This cost has increased from \$617,400 for community colleges and \$2.3 million for universities in FY 1996-97 to \$1.8 million for community colleges and \$10.9 million for universities in FY 2017-18, increases of 194.6% and 438.1%, respectively. Over the same period, the amount built into the State operating appropriations for Indian Tuition Waivers (ITW) costs has increased from \$936,500 to \$1,033,600 for community colleges, and \$2,445,900 to \$3,918,600 for universities, increases of 10.4% and 60.2%, respectively. Figures 1 and 2 provide a graphical representation of these costs and appropriations over time.

**Figure 1**



**Figure 2**



Since FY 1996-97, the Legislature has included some additional funds in the operating budgets of universities to help close the gap between waiver costs and State funding. These additional amounts were included only for universities; community colleges did not receive additional funds. In FY 2007-08, an additional \$1.4 million was added to the base operations

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# State Notes

## TOPICS OF LEGISLATIVE INTEREST

Winter 2020



appropriations for universities, and an additional \$500,000 was included in FY 2014-15. These amounts were allocated based on the proportion of each university's ITW shortfall as a percentage of their State appropriation. Once these amounts were allocated, they did not change based on demographic or other shifts that could cause a university's ITW shortfall to change. In FYs 2017-18 and 2018-19, however, a separate \$300,000 line item was included for universities to help address the ITW shortfall. Like the two previous adjustments, this amount was distributed based on the shortfall in each university's ITW appropriation as a percentage of its total State appropriation, but like the previous adjustments, this was adjusted each year. Despite these adjustments, universities collectively still had a \$7.0 million shortfall at the end of FY 2017-18.

### Recent Legislative Action

The FY 2019-20 higher education and community college budgets include additional funds that close the gap between the cost to provide waivers and the State appropriations to cover those costs. The FY 2019-20 budget contains a separate appropriation for each university for ITW cost reimbursement. The amount each university or community college received under that appropriation was calculated based on its reported FY 2017-18 ITW costs. The budget also removes ITW amounts that have been rolled into each institution's operations appropriation, and adds an amount sufficient to equal its FY 2017-18 ITW cost in the new line item. This creates a 'lag' in the ITW shortfall payment, but because of timing issues with the budget process and when these costs are reported, it would be difficult to include a more up-to-date ITW cost number. Over time, though, the difference between appropriations and reported costs from two years prior should average out, and each institution should receive ITW reimbursement appropriations that are very close to their actual costs.

Tables 1 and 2 provide the ITW reimbursement amounts rolled into each community college and university's FY 2018-19 operations appropriation, FY 2017-18 ITW costs, the ITW appropriation shortfall, and each institution's shortfall as a percentage of its total FY 2018-19 State appropriation. It should be noted that several community colleges had a negative shortfall between these two numbers. This essentially indicates that those colleges had lower ITW costs in 2017-18 than they did in FY 1996-97, likely due to demographic shifts or other factors that led fewer ITW-eligible students to attend those colleges.

**Table 1**

<b>Community College Indian Tuition Waiver Costs Versus Funding</b>				
<b>Community College</b>	<b>FY 2018-19 ITW Funding in Base</b>	<b>FY 2017-18 Actual Cost</b>	<b>ITW (Shortfall/ Surplus)</b>	<b>Shortfall as Pct. of FY 2018-19 State Appropriation</b>
Alpena	\$10,816	\$19,281	(\$8,465)	(0.1%)
Bay de Noc	76,151	137,888	(61,737)	(1.1)
Delta	45,691	40,858	4,833	0.0
Glen Oaks	3,421	1,200	2,221	0.1
Gogebic	15,561	59,915	(44,354)	(0.9)
Grand Rapids	80,566	240,339	(159,773)	(0.9)
Henry Ford	81,559	41,570	39,989	0.2
Jackson	18,431	46,679	(28,248)	(0.2)
Kalamazoo Valley	37,082	56,045	(18,963)	(0.1)
Kellogg	14,789	79,376	(64,587)	(0.6)
Kirtland	10,043	34,646	(24,603)	(0.7)
Lake Michigan	8,829	11,303	(2,474)	(0.0)

# State Notes

## TOPICS OF LEGISLATIVE INTEREST

Winter 2020



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Lansing	73,503	153,851	(80,348)	(0.2)
Mid Michigan	12,030	140,144	(128,114)	(2.5)
Monroe	2,097	856	1,241	0.0
Montcalm	1,545	5,730	(4,185)	(0.1)
Mott	55,844	13,392	42,452	0.3
Muskegon	34,213	77,316	(43,103)	(0.5)
North Central	44,477	177,904	(133,427)	(3.9)
Northwestern	121,953	246,662	(124,709)	(1.3)
Oakland	59,928	23,700	36,228	0.2
Schoolcraft	32,337	66,983	(34,646)	(0.3)
Southwestern	14,237	39,684	(25,447)	(0.4)
St. Clair	29,136	8,509	20,627	0.3
Washtenaw	33,661	30,952	2,709	0.0
Wayne County	27,481	8,514	18,967	0.1
West Shore	7,284	19,760	(12,476)	(0.5)
<b>TOTAL</b>	<b>\$1,033,562</b>	<b>\$1,819,071</b>	<b>(\$785,509)</b>	<b>(0.2%)</b>

**Table 2**

<b>University Indian Tuition Waiver Costs Versus Funding</b>				
<b>University</b>	<b>FY 2018-19 ITW Funding in Base</b>	<b>FY 2017-18 Actual Cost</b>	<b>ITW (Shortfall)/ Surplus</b>	<b>Shortfall as Pct. of FY 2018-19 State Appropriation</b>
Central	\$318,059	\$1,598,046	(\$1,279,987)	(1.5%)
Eastern	162,844	302,300	(139,456)	(0.2)
Ferris	218,305	1,007,267	(788,962)	(1.4)
Grand Valley	276,216	1,074,971	(798,755)	(1.1)
Lake Superior	637,695	953,969	(316,274)	(2.3)
Michigan State	469,130	1,467,696	(998,566)	(0.3)
Michigan Tech	114,321	466,564	(352,243)	(0.7)
Northern	422,184	1,099,959	(677,775)	(1.4)
Oakland	99,250	285,070	(185,820)	(0.4)
Saginaw Valley	71,463	223,878	(152,415)	(0.5)
U of M-Ann Arbor	526,635	803,521	(276,886)	(0.1)
U of M-Dearborn	85,353	160,84	(74,831)	(0.3)
U of M-Flint	91,594	276,985	(185,391)	(0.8)
Wayne State	250,524	417,227	(166,703)	(0.1)
Western	174,985	767,883	(592,898)	(0.5)
<b>TOTAL</b>	<b>\$3,918,559</b>	<b>\$10,905,520</b>	<b>(\$6,98,961)</b>	<b>(0.5%)</b>



**Conclusion**

The difference between costs and State reimbursements for the waivers in FY 2017-18, the most recent year for which data are available, was \$7.0 million for universities, and \$785,500 for community colleges. Until the enactment of the FY 2019-20 budget, universities and community colleges had not been accurately reimbursed for their annual costs under the North American Indian tuition waiver since FY 1996-97. The continuation of this policy is a decision the Legislature will be faced with in future budget cycles.