

FISCAL FOCUS

Net Tuition Costs After Financial Aid at State Universities

Prepared by:
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November 2004



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TO: Members of the Michigan House of Representatives

Tuition rates paid and financial aid received by students at state universities in Michigan are topics of interest not only to those students and their families, but also to legislators and other policy makers. This report examines the net tuition costs paid by students after accounting for scholarship and grant aid. Comparisons are made across the 15 state universities and across the time period of fiscal years 1985-86 to 2002-03.

This report examines the relationship between tuition rates and financial aid—and the impact of policy changes on the costs ultimately paid by students.

Kyle I. Jen, Senior Fiscal Analyst, is the author of this report; Jeanne Dee, Administrative Assistant, prepared the material for publication. We appreciate the comments and suggestions provided by Ellen Jeffries of the Senate Fiscal Agency, who reviewed an early draft of the report.

Please do not hesitate to call if you have questions about the information in this publication.

A handwritten signature in black ink that reads "Mitchell E. Bean".

Mitchell E. Bean
Director

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EXECUTIVE SUMMARY

Introduction

- This report compares tuition rates to net tuition for resident undergraduate students at Michigan's state universities over the period of fiscal year (FY) 1985-86 to FY 2002-03.
- Net tuition is an estimate of the actual tuition costs paid by students after accounting for scholarship and grant aid from federal, state, and institutional general fund resources.
- For example, a student who attends a university with a tuition rate of \$5,000, and receives \$2,000 in grant aid, will pay only \$3,000 in actual tuition costs.

Tuition Rates

- In FY 2002-03, tuition rates at Michigan's state universities varied from \$4,382 (Saginaw Valley) to \$7,960 (UM-Ann Arbor), with an average rate of \$5,570.
- From FY 1985-86 to FY 1993-94, increases in the average tuition rate generally exceeded 6.0 percent each year.

From FY 1993-94 to FY 2000-01, these increases were more moderate—generally lower than 5.0 percent each year.

In FYs 2001-02 and 2002-03, tuition increases were large, with the average tuition rate increasing by more than 8.0 percent in both years.

Federal Aid

- About 90 percent of federal grant aid is awarded through Pell Grants, which are based entirely on students' financial need.
- Per-student federal aid grew at an annualized rate of 7.6 percent from FY 1995-96 to FY 2002-03, reflecting increases in the maximum Pell Grant award amount over that time period.

State Aid

- About 80 percent of state grant aid is awarded through State Competitive Scholarships and Michigan Merit Awards. Both programs have a test score requirement. The Competitive Scholarship Program also requires financial need; the Merit Award Program does not.
- From FY 1985-86 through FY 1999-2000, growth in per-student state aid was minimal. From FY 1999-2000 to FY 2002-03, per-student state aid grew at an annualized rate of 53.5 percent as a result of the Merit Award Program's creation.

Institutional Aid

- Institutional general fund aid grew steadily over the entire time period covered by this report, both in absolute per-student terms (8.1 percent annualized rate) and as a percentage of total general fund expenditures by universities.

Total Financial Aid

- In FY 2002-03, institutional aid represented 40 percent of total per-student aid; federal aid represented 33 percent; and state aid represented 27 percent.
- Total per-student aid varied considerably across the 15 state universities in FY 2002-03, from a low of \$1,282 (Oakland) to a high of \$2,928 (UM-Ann Arbor).
- Total per-student aid grew at an annualized rate of 4.9 percent from FY 1985-86 to FY 1999-2000. From FY 1999-2000 to FY 2002-03, it grew at an annualized rate of 14.6 percent, largely due to creation of the Merit Award Program.

Net Tuition

- In FY 2002-03, average net tuition was equal to 63 percent of the average tuition rate. In other words, students received an average discount of 37 percent from full tuition rates as a result of scholarship and grant aid from federal, state, and institutional general fund sources. This discount varied across the 15 universities from a low of 26 percent (Oakland) to a high of 54 percent (Northern).
- From FY 1985-86 to FY 1994-95, tuition rate increases outpaced financial aid increases, resulting in net tuition increases higher than tuition rate increases.

From FY 1994-95 to FY 1999-2000, tuition rates and financial aid increased at roughly the same rate.

From FY 1999-2000 to FY 2002-03, financial aid increased at a much higher rate than tuition rates as a result of Merit Awards. Over this three-year time period, net tuition increased at about half the rate of tuition rates.

- As a percentage of Michigan per-capita personal income, net tuition grew steadily from FY 1985-86 to FY 1993-94, then held steady through FY 1999-2000 before decreasing in FY 2000-01 when Merit Awards became available. In FYs 2001-02 and 2002-03, this measure increased as a result of large tuition increases corresponding to flat or reduced state funding for universities.

Tax Credits

- State and federal income tax credits enacted in the last decade have effectively reduced tuition costs by reimbursing students and families for a portion of tuition payments. They have not been included in this report's net tuition calculation due to lack of comprehensive data specific to students at state universities in Michigan.
- The Michigan Tuition Tax Credit provided benefits to students in tax years 1995 to 1998, but has provided almost no benefits since then due to the requirement that universities hold their tuition rate increases to the rate of inflation in order for their students to be eligible for the credit.
- Two federal tax credits—the Hope Tax Credit and the Lifelong Learning Credit—have provided significant benefits to students in all tax years since their creation for tax year 1998.

Conclusion

- The data presented in this report are all based on averages. Per-student financial aid figures account for both students receiving maximum award amounts and students receiving no aid.

- Changes in financial aid and tax policy can have differing impacts on different groups of students. The two most significant policy developments over the time period examined in this report have been creation of the Michigan Merit Award Program and enactment of federal tuition tax credits.
- Because the Merit Award Program has no financial need requirement, it benefits students in all income groups—as opposed to the two largest previously-existing financial aid programs (Pell Grants and State Competitive Scholarships), both of which require financial need.
- The federal tuition tax credits tend to benefit students from middle-income households.

Higher-income households cannot claim the credits due to the credits' income limits.

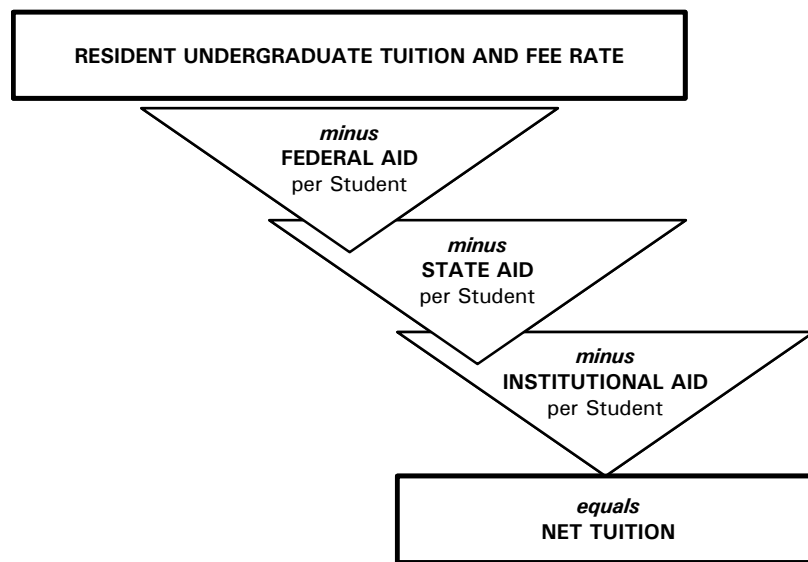
Lower-income households often cannot claim the credits because they have insufficient tax liability to offset with the credits or a large amount of their tuition costs have been paid through grant aid and cannot, therefore, be claimed under the credits' provisions.

INTRODUCTION

In the discussion of higher education funding, attention is often focused on university tuition rates. Many students, however, actually end up paying less than the full tuition rate because they receive some form of scholarship or grant aid. In fiscal year (FY) 2002-03, 31 percent of undergraduate students at state universities in Michigan received some form of need-based grant aid and 42 percent of students received some form of merit-based grant aid. Allowing for some overlap between these two groups, at least half of the students appear to be receiving some grant aid.

This report examines the difference between tuition rates and the actual tuition cost paid by students, after subtracting scholarship and grant aid, at Michigan's 15 state universities from FY 1985-86 through FY 2002-03. A resident undergraduate student attending a university full-time is used as the basis for this comparison.

The term "net tuition" is used in this report as an estimate of the actual tuition cost paid by students. Net tuition is calculated as follows:



The following should be noted regarding the data in this report:

- Costs, other than tuition, that are associated with university attendance (room and board, books, etc.) were not included in calculation of net tuition.
- Financial aid, as used in the net tuition calculation, includes only scholarship and grant aid (collectively referred to as "grant aid"). Aid in the form of work study payments requires employment similar to other employment a student might undertake to pay for college costs, and aid in the form of loans must eventually be repaid by the student.

- Financial aid data reflect funding from federal, state, and institutional general fund sources. Data on aid from institutional restricted sources (endowments, private donors, etc.) and private sources are not readily available.
- Per-student aid figures and, therefore, net tuition figures in this report should be viewed as estimates.
- Unless otherwise noted, all data utilized and cited in this report are from the Higher Education Institutional Data Inventory (HEIDI), to which Michigan's 15 state universities submit data on an annual basis. Fiscal year 1985-86 was chosen as the starting point for reporting data because it is the earliest year for which all data necessary to compute net tuition are available. Fiscal year 2002-03 is the most recent year for which data have been submitted.
- None of the data in this report were adjusted for inflation. The primary comparison this report makes is between tuition rates and net tuition; adjusting for inflation would have no impact on that comparison. In order to examine changes in tuition costs relative to students' and families' financial resources, however, both tuition rates and net tuition are presented as a percentage of Michigan per capita personal income.
- Finally, *the financial aid and net tuition figures presented in this report are averages.* The data reflect only the costs paid by students at each university on an aggregate basis. Costs paid by individual students at each university can vary from zero to the full amount of the tuition rate.

The next section of this report provides data on current and historical tuition rates. Three sections on federal, state, and institutional aid follow, with an additional section containing data on total aid from those three sources. Tuition rate and financial aid data are then combined to show the net tuition at state universities over time. A section is also included that discusses the impact of state and federal tuition tax credits created in recent years.

Following is a listing of the 15 universities (including acronyms) addressed in this report.

CMU	Central Michigan University	OU	Oakland University
EMU	Eastern Michigan University	SVSU	Saginaw Valley State University
FSU	Ferris State University	UM-A	University of Michigan - Ann Arbor
GVSU	Grand Valley State University	UM-D	University of Michigan - Dearborn
LSSU	Lake Superior State University	UM-F	University of Michigan - Flint
MSU	Michigan State University	WSU	Wayne State University
MTU	Michigan Technological University	WMU	Western Michigan University
NMU	Northern Michigan University		

Appendix A provides a detailed explanation and discussion of the methodology utilized in making the net tuition calculation. Appendix B contains graphs showing tuition rates, financial aid, and net tuition over time for each of the 15 state universities. Appendix C lists a number of national-level reports on tuition, financial aid, and net tuition.

TUITION RATES

As used in this report, the term “tuition rate” includes both tuition and required fees and is based on a full-time course load of 30 credit hours per academic year. Resident undergraduate tuition rates differ significantly at the 15 state universities, as shown in Table 1.

In FY 2002-03, the highest rate charged by a university (UM-Ann Arbor) was 81.7 percent higher than the lowest rate charged by a university (Saginaw Valley). Because of large enrollments at UM-Ann Arbor and Michigan State, both of which have relatively high tuition rates, the average tuition rate (weighted by enrollment) is higher than the rates for 12 of the 15 universities.

Figure 1 shows the statewide average tuition rate from FY 1985-86 to FY 2002-03. This average increased at an annualized rate of 6.8 percent over the 18-year time period, growing from \$1,813 to \$5,570.

Table 1
Resident Undergraduate Tuition Rates
Fiscal Year 2002-03

<u>Rank</u>	<u>University</u>	<u>Tuition Rate</u>
1	UM-Ann Arbor	\$7,960
2	Michigan Tech	6,591
3	Michigan State	6,454
	STATEWIDE AVERAGE	5,570
4	UM-Dearborn	5,521
5	Ferris	5,417
6	Western	5,156
7	Grand Valley	5,148
8	Wayne State	5,104
9	Oakland	5,032
10	Eastern	5,027
11	UM-Flint	4,786
12	Northern	4,780
13	Lake Superior	4,758
14	Central	4,747
15	Saginaw Valley	4,382

Figure 1

Resident Undergraduate Tuition Rates
Statewide Average: 15 State Universities

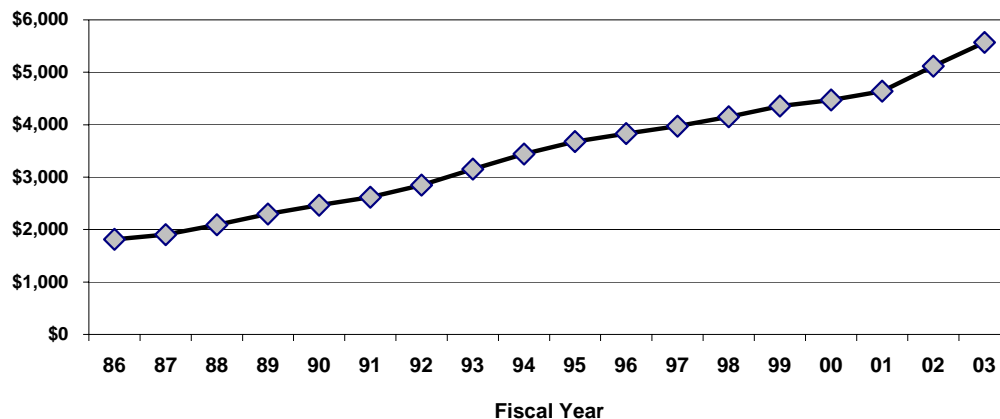


Figure 2 shows annual percentage increases in the average tuition rate, as well as increases in Michigan per capita personal income. From FY 1985-86 to FY 1993-94, the average tuition rate increased at an annualized rate of 8.3 percent, as tuition increases generally exceeded 6.0 percent annually. From FY 1993-94 to FY 2000-01, tuition increases were more moderate—generally lower than 5.0 percent annually—resulting in an annualized growth rate of 4.4 percent. In FYs 2001-02 and 2002-03, the average tuition rate increased by 10.2 and 8.9 percent, respectively, in conjunction with flat or reduced state funding.

Figure 2

**Statewide Average Resident Undergraduate Tuition Rate
and Michigan Per Capita Personal Income
% Change From Prior Year**

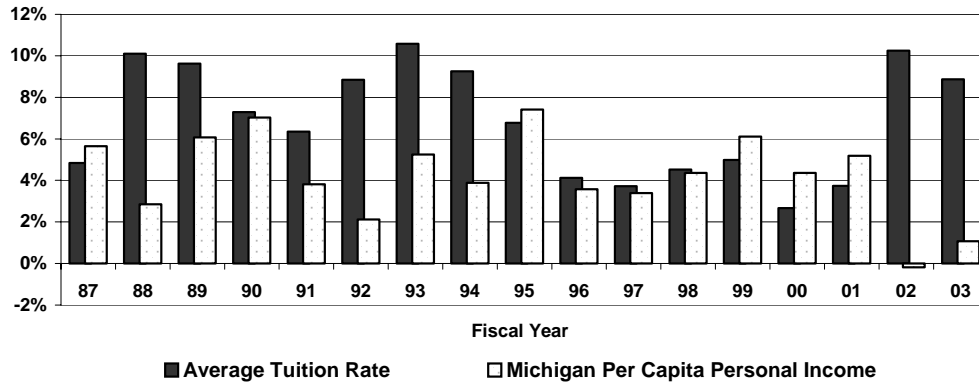
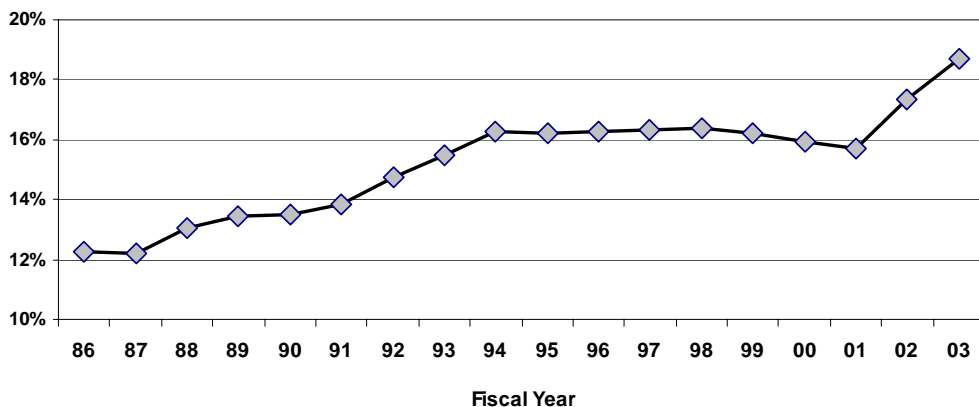


Figure 3 shows the average tuition rate as a percentage of Michigan per capita personal income. This compares tuition rates to a broad measure of the financial resources available to pay tuition costs. The three time periods evident in Figure 2 are even more distinct in Figure 3:

- From FY 1985-86 to FY 1993-94, the average tuition rate rose steadily in proportion to per capita personal income—from 12.3 percent to 16.3 percent.
- From FY 1993-94 to FY 2000-01, the measure stayed at a fairly constant level, around 16 percent, as both tuition rates and personal income increased at more moderate rates.
- In FYs 2001-02 and 2002-03, the measure increased to 18.7 percent, reflecting sizable increases in tuition rates compared to very little increase in personal income.

Figure 3

**Statewide Average Resident Undergraduate Tuition Rate
as a % of Michigan Per Capita Personal Income**



FEDERAL AID

The largest source of federal grant aid available to college students is the Pell Grant Program. In FY 2002-03, Pell Grants accounted for 89.9 percent of the \$133.1 million in federal grant aid received by students attending state universities in Michigan. Pell Grants are need-based awards available only to undergraduate students, which are automatically awarded to all eligible students and are generally viewed as the base to which other types of financial aid are added. The maximum Pell Grant award in FY 2002-03 was \$4,000.

Remaining federal aid is primarily from federal Supplemental Education Opportunity Grants. These grants are awarded to Pell Grant recipients with exceptional financial need. Awards are initially made to institutions, so some eligible students may not receive awards if insufficient funds are available at the institution.

Figure 4 shows the amount of federal aid received by students (both residents and nonresidents) at Michigan's state universities over time. The amount of aid increased at an annualized rate of 5.1 percent over the period FY 1985-86 to FY 2002-03—from \$57.5 million to \$133.1 million. The growth in federal aid was not steady—fluctuating considerably around the long-term upward trend—and reflected both enrollment trends and changes in the amount of the maximum Pell Grant award, which increased from \$2,100 in FY 1985-86 to \$4,000 in FY 2002-03. As shown in Table 2, most of this increase occurred after FY 1995-96, when the maximum award amount was \$2,340.

Figure 4

Federal Aid to Students at State Universities

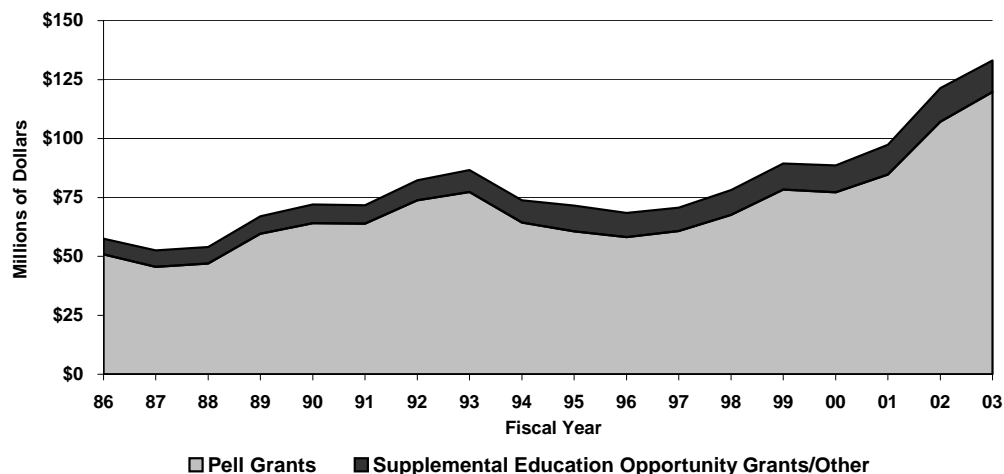


Table 2
Maximum Pell Grant Award Amount

Fiscal Year	Amount	Fiscal Year	Amount
1985-86	\$2,100	1994-95	\$2,300
1986-87	2,100	1995-96	2,340
1987-88	2,100	1996-97	2,470
1988-89	2,200	1997-98	2,700
1989-90	2,300	1998-99	3,000
1990-91	2,300	1999-2000	3,125
1991-92	2,400	2000-01	3,300
1992-93	2,400	2001-02	3,750
1993-94	2,300	2002-03	4,000

Source: The College Board

Table 3
Federal Aid Per Student by University
Fiscal Year 2002-03

Rank	University	Aid/Student
1	Ferris	\$1,055
2	Wayne State	1,014
3	Northern	998
4	UM-Flint	984
5	Lake Superior	848
6	Eastern	777
7	Saginaw Valley	774
8	UM-Dearborn	719
9	Grand Valley	710
10	Central	699
	STATEWIDE AVERAGE	687
11	Michigan Tech	614
12	Western	585
13	Michigan State	583
14	Oakland	477
15	UM-Ann Arbor	412

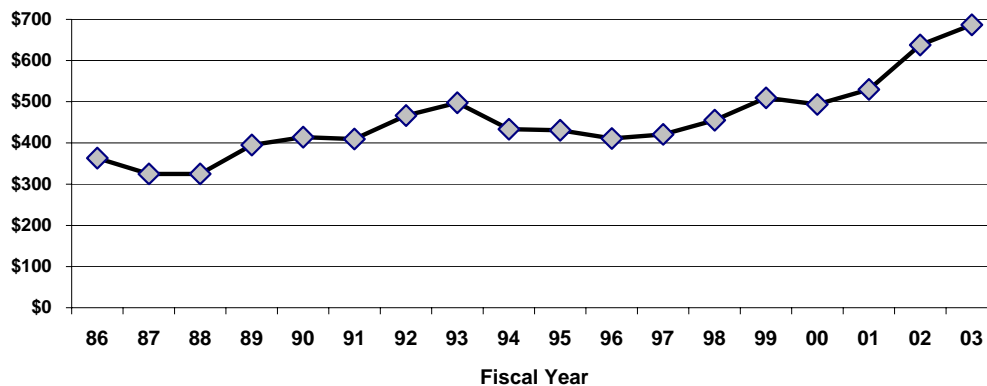
Table 3 shows that the amount of federal aid per student varies considerably across the 15 state universities, from a low of \$412 (UM-Ann Arbor) to a high of \$1,055 (Ferris), with an average amount of \$687. Since both Pell Grants and Federal Supplemental Education Opportunity Grants are strictly need-based, this variation likely corresponds to the average amount of financial need experienced by students at each university.

The upward trend in federal aid due to recent increases in the Pell Grant is also evident in Figure 5, which shows the average amount of federal aid per student over time. This amount increased from \$363 in FY 1985-86 to \$687 in FY 2002-03—an annualized rate of 3.8 percent, which is lower than both the 6.8 percent annualized increase in tuition rates and the 4.2 percent annualized increase in Michigan per capita personal income over the same time period.

From FY 1995-96 to FY 2002-03, however, the annualized increase in federal aid per student was 7.6 percent—significantly higher than the 5.5 percent annualized increase in tuition rates and the 3.5 percent annualized increase in per capita personal income over the same time period. This corresponds to the substantial increase in the Pell Grant maximum award amount over that time period.

Figure 5

Federal Aid Per Student
Statewide Average: 15 State Universities



STATE AID

In FY 2002-03, grant aid from eight state financial aid programs was available to students at state universities. Briefly, these programs were as follows:

- State Competitive Scholarships: Awards based on qualifying ACT score and financial need.¹
- Indian Tuition Waivers: Waiver of tuition for state resident North American Indians.²
- Michigan Education Opportunity Grants: Additional assistance for students with financial need; funds are allocated to institutions, which then determine precise award criteria.
- Part-Time Independent Student Grants: Awards for adult, independent students enrolled for between three and 11 credit hours per semester.
- Tuition Incentive Program (TIP): Funds the cost of an associate's degree and up to \$2,000 toward a bachelor's degree for Medicaid-eligible individuals.³
- Michigan Merit Awards: \$2,500 awards to students receiving qualifying scores on Michigan Educational Assessment Program tests or qualifying via two alternate methods.
- Postsecondary Access Student Scholarships (PASS): Payment of differential between other financial aid sources and tuition (capped at 125 percent of highest community college in-district tuition rate) for associate's degree students.
- Nursing Scholarships: Awards to nursing students signing agreements to pursue nursing as a career; funds are allocated to institutions, which then determine precise award criteria.

With minor exceptions, aid from each of these programs is available only to resident undergraduate students.⁴

State aid to students at state universities totaled \$97.8 million in FY 2002-03. As illustrated in Figure 6, about four-fifths of that aid was awarded through Merit Awards and State Competitive Scholarships. Merit Awards accounted for 65.6 percent of state aid, and State Competitive Scholarships accounted for 24.4 percent of state aid. No other program accounted for 5.0 percent or more of the total.

¹ A small portion of the appropriation for State Competitive Scholarships is funded through federal funds but is classified as state aid for the purposes of this report since the federally-funded portion of the scholarships is indistinguishable from the state-funded portion.

² Funding for this program was rolled into the universities' base appropriations in FY 1996-97, so these waivers are technically expenditures by the universities rather than the state.

³ Aid from the Tuition Incentive Program was available beginning in FY 1988-89. Data on the program was not submitted to HEIDI, however, until FY 2000-01. This report does not reflect TIP aid from FY 1988-89 through FY 1999-2000. Since TIP represents a small percentage of total state aid, the effect of this omission on total aid and net tuition figures is minimal.

⁴ Indian Tuition Waivers can be used for both undergraduate and graduate study. The statute governing State Competitive Scholarships states that scholarships may be awarded to graduate students if sufficient funds are appropriated, but no substantial number of such awards have actually been made.

Figure 6

**State Aid to Students at State Universities by Program
Fiscal Year 2002-03**
Total = \$97,787,185

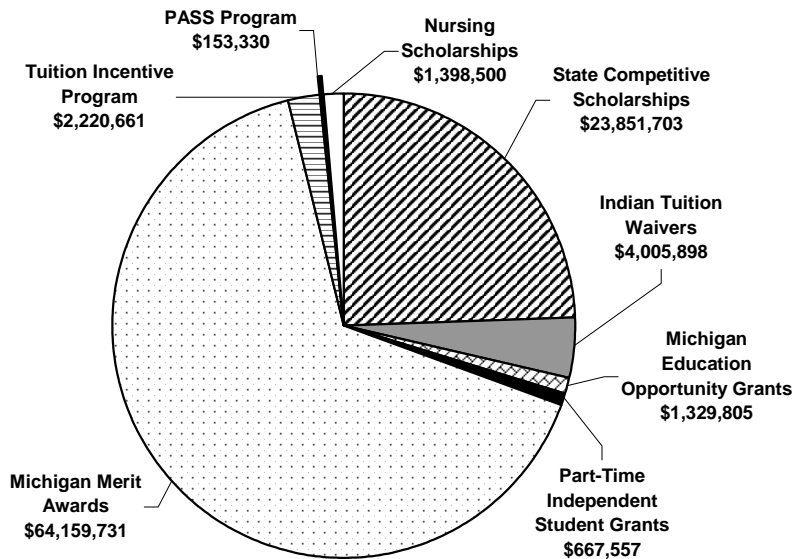
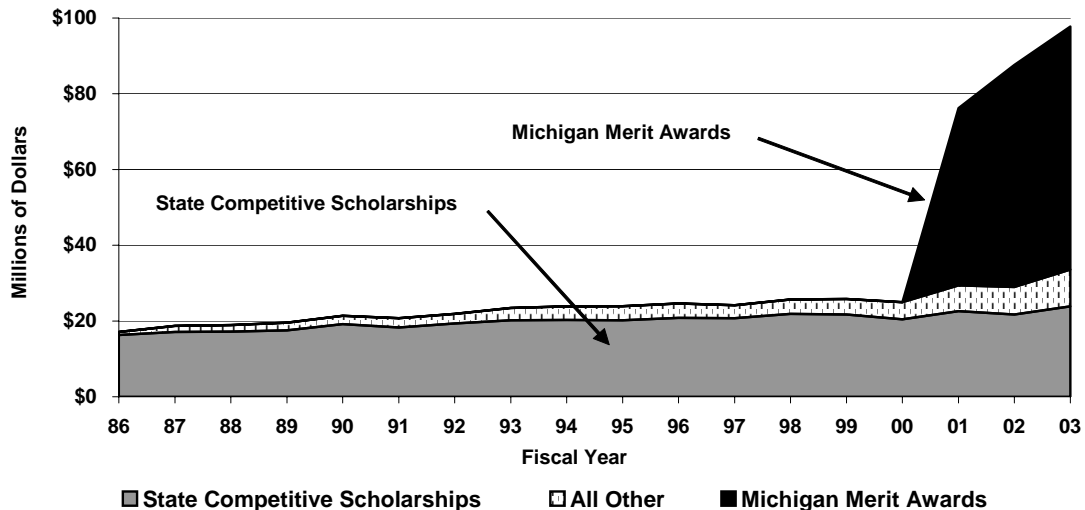


Figure 7 shows the amount of aid provided from FY 1985-86 through FY 2002-03. Over this time period, the total amount of state aid increased at an annualized rate of 10.8 percent, from \$17.1 million to \$97.8 million. This growth, however, occurred almost entirely since FY 1999-2000.

Figure 7

State Aid to Students at State Universities



Prior to FY 2000-01, the vast majority of state aid was provided through State Competitive Scholarships. From FY 1985-86 to FY 1999-2000, total state aid grew at an annualized rate of just 2.7 percent.

Fiscal year 2000-01 was the first year in which students could utilize Michigan Merit Awards. In the first year the awards were available, students at state universities received \$46.8 million in awards. This resulted in a tripling (205.3 percent increase) of total state aid from FY 1999-2000. In FY 2002-03, students at state universities received \$64.2 million in Merit Awards. This resulted in an annualized increase of 57.6 percent in total state aid during the three-year period ending with FY 2002-03.

As shown in Table 4, the amount of state aid per student varies significantly across the 15 state universities with an average amount of aid per student of \$557. The highest amount is \$796 for UM-Ann Arbor; the lowest is \$272 for Wayne State. Since both of the major state financial aid programs have test score components (ACT for State Competitive Scholarships; MEAP for Merit Awards), the figures correlate to a large degree with the average test scores of incoming freshmen at a university. A significant exception to this observation is Ferris State, which enrolls a large number of associate's degree students who are eligible for substantial funding from the Tuition Incentive Program.

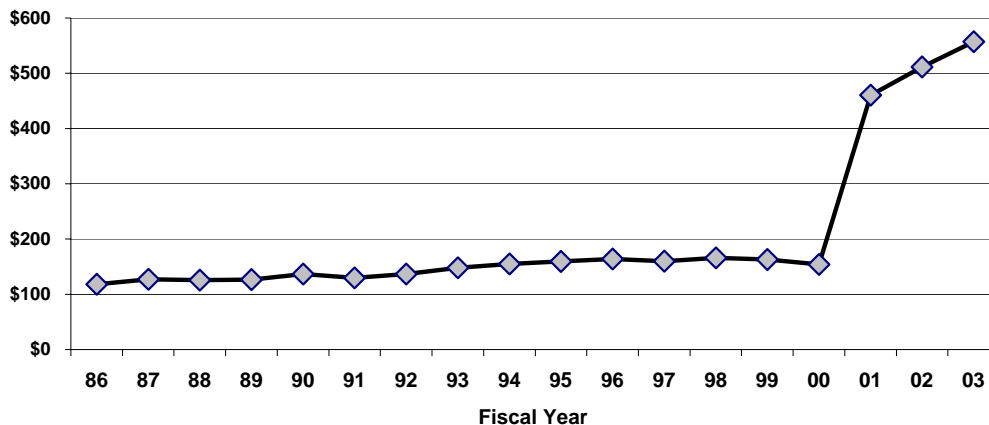
Figure 8 shows the average amount of state aid per student from FY 1985-86 to FY 2002-03. Over the 18-year period, state aid per student increased from \$118 to \$557—an annualized rate of 9.6 percent. This is higher than both the 6.8 percent annualized increase in tuition rates and the 4.2 percent annualized increase in Michigan per capita personal income over the same time period.

Table 4
State Aid Per Student by University
Fiscal Year 2002-03

<u>Rank</u>	<u>University</u>	<u>Aid/Student</u>
1	UM-Ann Arbor	\$796
2	Michigan Tech	701
3	Lake Superior	693
4	Grand Valley	688
5	Michigan State	660
6	Northern	653
7	Ferris	646
8	Central	586
	STATEWIDE AVERAGE	557
9	Western	547
10	Saginaw Valley	489
11	UM-Dearborn	446
12	UM-Flint	361
13	Oakland	356
14	Eastern	321
15	Wayne State	272

Figure 8

State Aid Per Student
Statewide Average: 15 State Universities



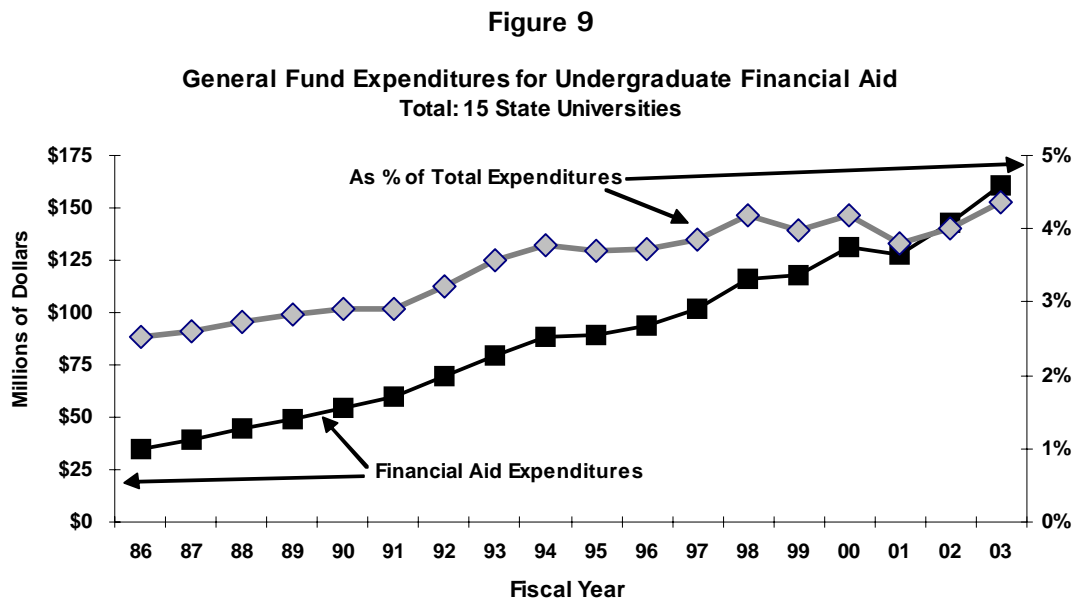
Over the first 15 years, though, the annualized increase in per-student state aid was only 1.9 percent, compared to 6.7 percent for tuition rates and 4.7 percent for per capita personal income. As a result of Merit Awards, state aid per student increased at an annualized rate of 53.5 percent over the period of FY 1999-2000 to FY 2002-03—dramatically higher than the 7.6 percent annualized increase in tuition rates and the 2.0 percent annualized increase in per capita personal income over the same period.

INSTITUTIONAL AID

The institutional aid data utilized in this report's calculations includes only aid from university general fund sources. Data on aid provided to undergraduate students from university restricted sources (endowments, private donors, etc.) are not readily available.

Historically, financial aid provided from a university's general fund has been treated as an expenditure of funds for accounting purposes. As a practical matter, however, such aid is simply a discount from the full tuition rate; no money actually changes hands.

Figure 9 shows total general fund expenditures for undergraduate financial aid (for both resident and nonresident students) over time, both on an absolute basis and as a percentage of total general fund expenditures. These expenditures increased at an annualized rate of 9.4 percent from FY 1985-86 to FY 2002-03—from \$34.7 million to \$160.6 million. Growth was fairly constant over the entire time period, with the only negative change, largely the result of a reduction at one large university (Wayne State), occurring in FY 2000-01.



Institutional aid also steadily increased as a percentage of total general fund expenditures, growing from 2.5 percent of total expenditures in FY 1985-86 to 4.4 percent in FY 2002-03.

The amount of institutional aid per student varies widely across the 15 universities, as shown in Table 5. The amount of per-student aid at UM-Ann Arbor in FY 2002-03 was almost four times larger than the amount at Oakland.⁵ The average amount of aid per student at the 15 universities was \$828. Each university sets its own institutional aid policies and criteria, so the variation in per-student aid across universities cannot be attributed to any single factor.

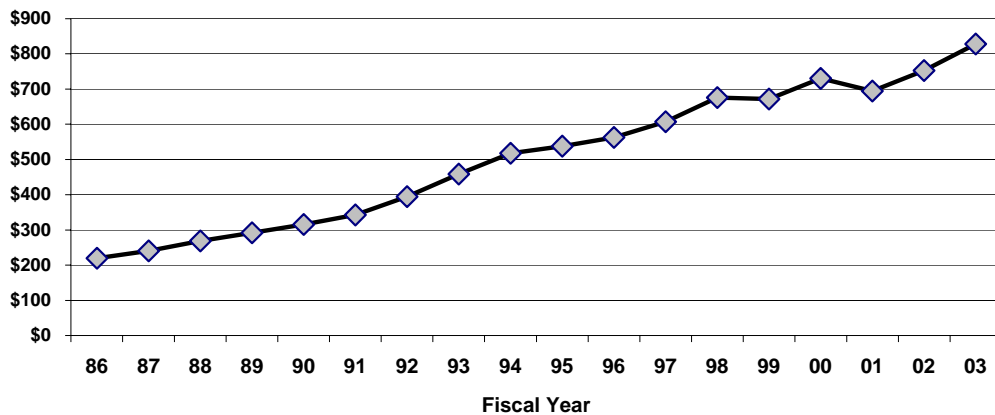
Figure 10 shows average institutional aid per student from FY 1985-86 to FY 2002-03. Similar to Figure 9, per-student aid reflects the same steady growth over time, with only one significant year-to-year reduction (FY 2000-01). Over the entire 18-year period, institutional aid per student increased from \$220 to \$828—an annualized rate of 8.1 percent. This is higher than both the 6.8 percent annualized increase in tuition rates and the 4.2 percent annualized increase in Michigan per capita personal income over the same time period.

Table 5
Institutional Aid Per Student by University
Fiscal Year 2002-03

<u>Rank</u>	<u>University</u>	<u>Aid/Student</u>
1	UM-Ann Arbor	\$1,720
2	Michigan Tech	1,474
3	Northern	947
4	Wayne State	890
	STATEWIDE AVERAGE	828
5	Western	777
6	Lake Superior	760
7	Ferris	715
8	Eastern	702
9	Saginaw Valley	669
10	UM-Dearborn	625
11	Michigan State	622
12	Central	601
13	Grand Valley	570
14	UM-Flint	531
15	Oakland	449

Figure 10

Institutional Aid Per Student
Statewide Average: 15 State Universities



⁵ As noted in Appendix A, UM-Ann Arbor’s per-student institutional aid figure may be overstated relative to resident undergraduate students. Nevertheless, Michigan Tech’s institutional aid per student is over three times larger than Oakland’s.

TOTAL FINANCIAL AID

The federal government, state government, and state universities all contribute significant amounts of funding for student financial aid. Figure 11 shows the average amount of financial aid received from each source by students in FY 2002-03. Institutional aid was the largest of the three sources, representing 40.0 percent of the total of \$2,072 in average per-student aid. Federal aid accounted for 33.1 percent of that total, and state aid represented the remaining 26.9 percent.

Figure 11

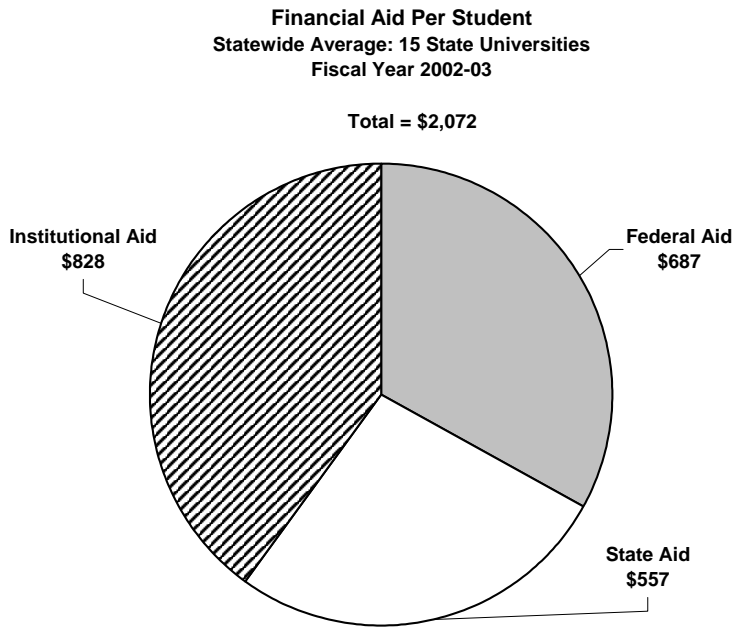
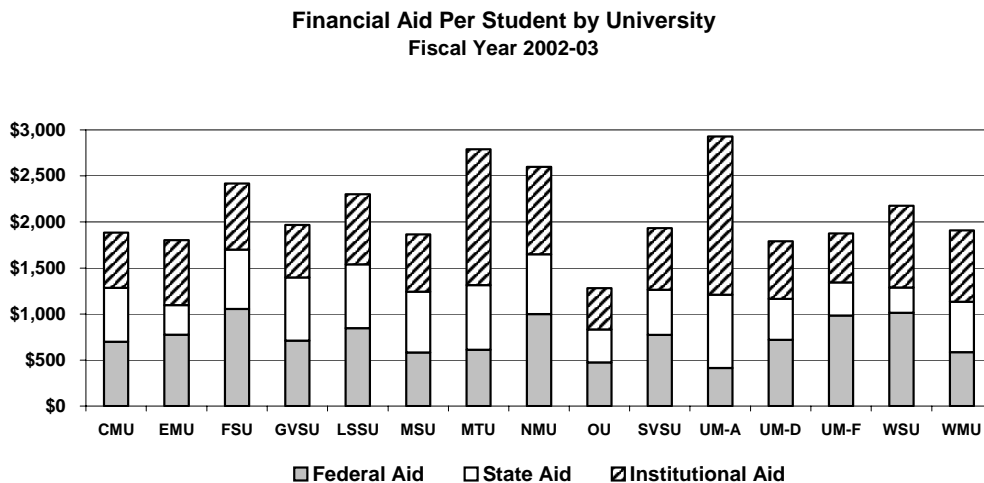


Figure 12



The average total aid per student and the breakdown of that aid varies considerably across the 15 universities. Table 6 shows total aid per student by university and Figure 12 shows the same data broken down by source.

UM-Ann Arbor ranks first in this measure with \$2,928 in total aid per student—despite ranking last in federal aid per student—because it ranks first in both state and institutional aid per student. Michigan Tech shows a similar pattern, ranking eleventh in federal aid per student, but second in both state and institutional aid per student.

Seven universities fall between UM-Dearborn’s \$1,790 in aid per student and the average of \$2,072. Oakland’s total aid per student of \$1,282 is over \$500 lower than UM-Dearborn’s. This is a function of Oakland’s low rankings in all three categories of per-student aid: fourteenth in federal aid, thirteenth in state aid, and fifteenth in institutional aid.

The mix of aid from the three major sources changed over time, as shown in Figure 13. In FY 1985-86, federal aid represented 51.7 percent of the \$701 in average total aid per student. Institutional aid grew steadily since then to become the largest of the three sources. State aid, while increasing substantially since FY 1999-2000, remained the smallest of the three sources across the 18-year time period.

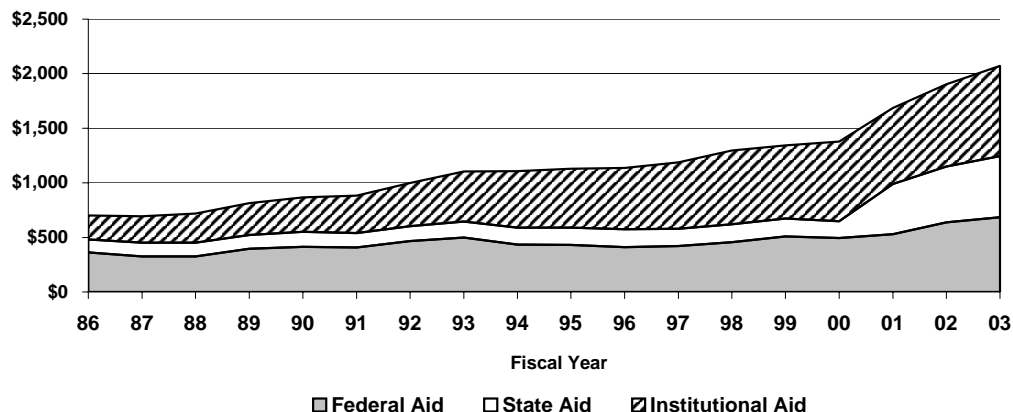
From FY 1985-86 to FY 2002-03, total aid per student grew from \$701 to \$2,072, an annualized increase of 6.6 percent. This increase is almost exactly equal to the 6.8 percent annualized increase in tuition rates over the same time period. The growth in total aid per student was greatest from FY 1999-2000 to FY 2002-03—an annualized rate of 14.6 percent—due to creation of the Michigan Merit Award Program. From FY 1985-86 to FY 1999-2000, growth was more moderate—4.9 percent on an annualized basis—with about three-fourths of the growth attributable to increases in institutional aid.

Table 6
Total Aid Per Student by University
Fiscal Year 2002-03

Rank	University	Aid/Student
1	UM-Ann Arbor	\$2,928
2	Michigan Tech	2,789
3	Northern	2,598
4	Ferris	2,417
5	Lake Superior	2,301
6	Wayne State	2,176
	STATEWIDE AVERAGE	2,072
7	Grand Valley	1,968
8	Saginaw Valley	1,932
9	Western	1,909
10	Central	1,886
11	UM-Flint	1,876
12	Michigan State	1,865
13	Eastern	1,801
14	UM-Dearborn	1,790
15	Oakland	1,282

Figure 13

Financial Aid Per Student by Source
Statewide Average: 15 State Universities



NET TUITION

Subtracting total financial aid per student from the full tuition rate yields a net tuition figure. In FY 2002-03, average net tuition at a state university in Michigan was \$3,498. This equates to 62.8 percent of the average tuition rate of \$5,570; thus, students at state universities received, on average, a discount of 37.2 percent from the full tuition rate. Tuition rate and net tuition figures are listed for each university in Table 7 and depicted in Figure 14.

Net tuition as a percentage of the tuition rate varied from 45.7 percent at Northern to 74.5 percent at Oakland in FY 2002-03. Students at Northern paid, on average, just under half of the full tuition rate after accounting for grant aid; students at Oakland paid an average of approximately three-fourths of the full rate.

Table 7
Tuition Rates vs. Net Tuition by University
Fiscal Year 2002-03

<u>University</u>	<u>Net Tuition</u>	<u>Tuition Rate</u>	<u>Net Tuition as % of Tuition Rate</u>
Central	\$2,861	\$4,747	60.3
Eastern	3,226	5,027	64.2
Ferris	3,000	5,417	55.4
Grand Valley	3,180	5,148	61.8
Lake Superior	2,457	4,758	51.6
Michigan State	4,589	6,454	71.1
Michigan Tech	3,802	6,591	57.7
Northern	2,182	4,780	45.7
Oakland	3,750	5,032	74.5
Saginaw Valley	2,450	4,382	55.9
UM-Ann Arbor	5,032	7,960	63.2
UM-Dearborn	3,731	5,521	67.6
UM-Flint	2,910	4,786	60.8
Wayne State	2,928	5,104	57.4
Western	3,247	5,156	63.0
STATEWIDE AVERAGE	\$3,498	\$5,570	62.8

Figure 14

Tuition Rates vs. Net Tuition by University
Fiscal Year 2002-03

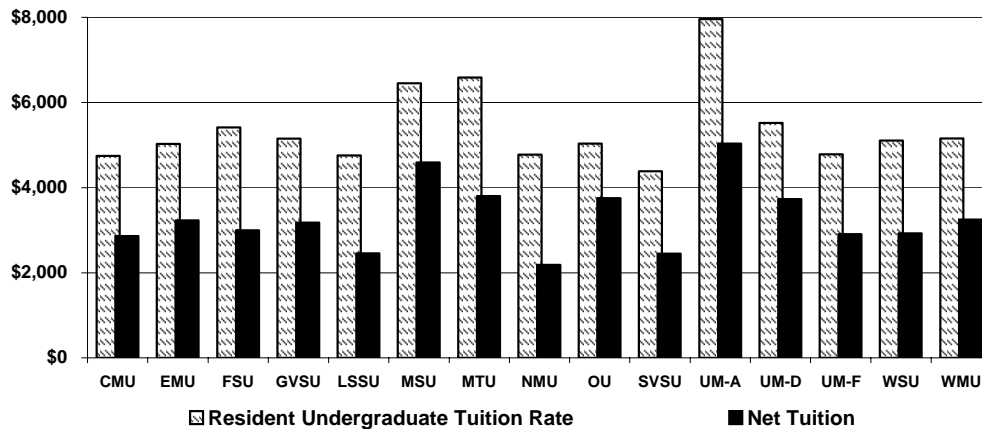


Figure 15 shows how the average tuition rate, financial aid per student, and net tuition changed from FY 1985-86 through FY 2002-03. The dashed line on this graph represents the average resident undergraduate tuition rate for each year. The three areas just below the dashed line represent federal, state, and institutional aid per student. The remaining area is average net tuition.

Over the time period shown, the average tuition rate increased from \$1,813 to \$5,570, an annualized increase of 6.8 percent. Average net tuition, meanwhile, increased from \$1,112 to \$3,498, a slightly higher annualized increase of 7.0 percent.

Appendix B contains a version of Figure 15 for each of the 15 state universities to show changes in the relationship between net tuition and tuition rates over time at each university.

Figure 15

Tuition Rates, Financial Aid, and Net Tuition
Statewide Average: 15 State Universities

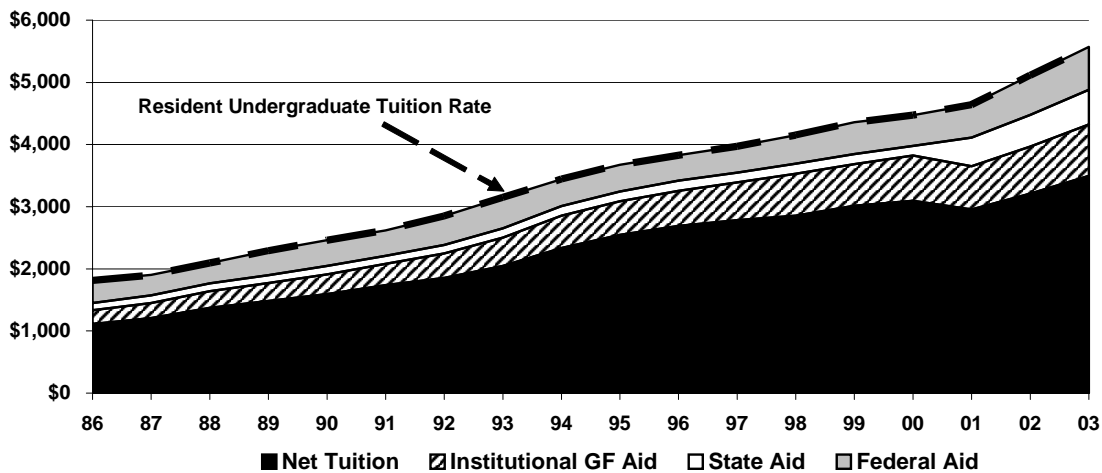
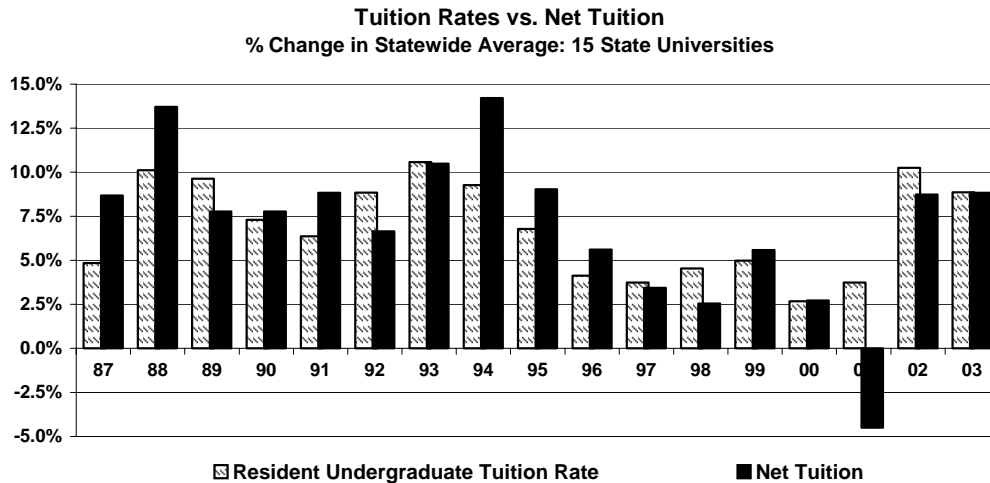


Figure 16, which shows the percent changes from the prior year in both the average tuition rate and average net tuition over time, exhibits three fairly well-defined periods over the 18-year time period:

- From FY 1985-86 to FY 1994-95, tuition rate increases were generally very large—the annual increase in the average tuition rate exceeded 6.0 percent in all years other than FY 1986-87. In seven of these nine years, the increase in average net tuition exceeded the increase in the average tuition rate. This is the result of tuition rates increasing at a higher rate than per-student financial aid: 8.2 percent versus 5.4 percent on an annualized basis.
- From FY 1994-95 to FY 1999-2000, tuition rate increases were more moderate; the average tuition rate increased by 5.0 percent or less each year. Net tuition and tuition rate increased at the same rate over this time period—4.0 percent—and per-student financial aid increases were also moderate (4.1 percent).
- From FY 1999-2000 to FY 2002-03, creation of the Merit Award Program had a considerable impact on the relationship between tuition rates and net tuition. In FY 2000-01, the average tuition rate increased by 3.7 percent, but average net tuition actually decreased by 4.5 percent. This difference is almost entirely the result of Merit Awards becoming available to students in FY 2000-01. In FYs 2001-02 and 2002-03, tuition increases were sizable, exceeding 8.0 percent on average in both years; increases in average net tuition were slightly

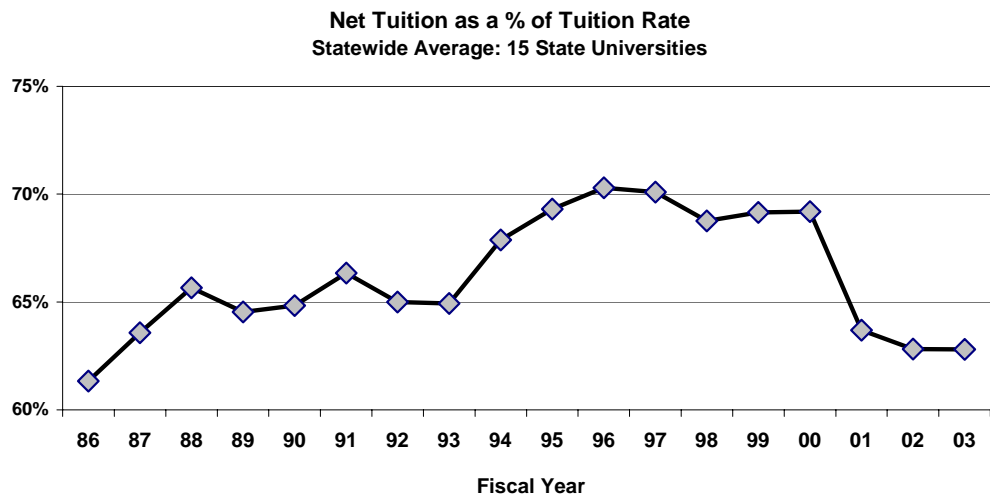
lower in each year as the result of increases in per-student aid in all three categories (federal, state, and institutional) in both years. In total, per-student financial aid increased at an annualized rate of 14.6 percent over the three-year period ending with FY 2002-03. This resulted in average net tuition increasing at about half the rate of the average tuition rate: 4.2 percent versus 7.6 percent on an annualized basis.

Figure 16



The relationship between average net tuition and the average tuition rate varied significantly over the last two decades, as illustrated in Figure 17. In FY 1985-86, average net tuition was equal to 61.3 percent of the average tuition rate. This figure increased to a high of 70.3 percent in FY 1995-96. Beginning in FY 2000-01, the percentage dropped substantially, falling to 62.8 percent in FY 2002-03—slightly above the FY 1985-86 level.

Figure 17



Over the course of time, net tuition changed relative to Michigan students' and families' financial resources. Figure 18 shows net tuition as a percentage of Michigan per capita personal income over time. In FY 1985-86, average net tuition was equal to 7.5 percent of per capita personal income; this figure increased to 11.1 percent in FY 1993-94. From FY 1993-94 through FY 1999-2000, the

percentage held fairly steady just above 11 percent. In FY 2000-01, the measure dropped to 10.0 percent as Michigan Merit Awards became available. The measure increased to 11.7 percent in FY 2002-03 as tuition rates increased dramatically in FYs 2001-02 and 2002-03 in conjunction with stagnant or reduced state funding.

Figure 18

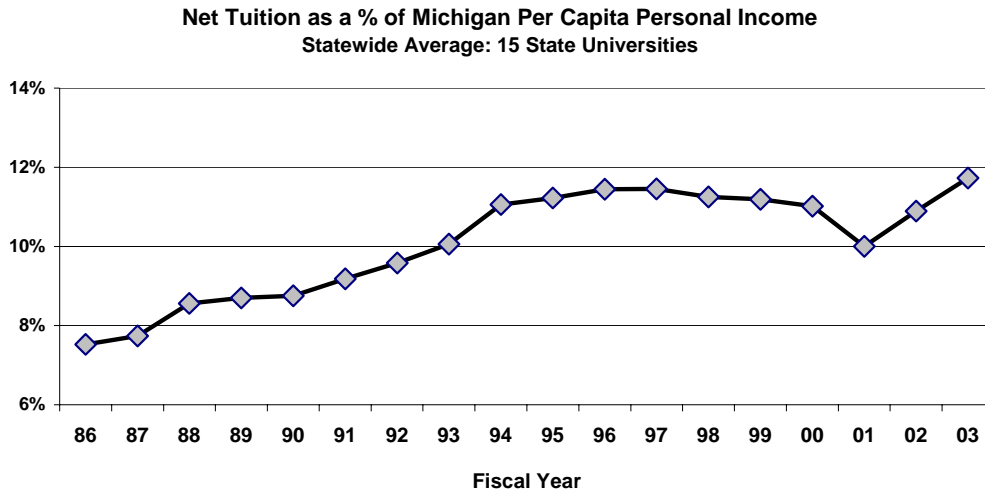


Table 8 shows tuition rates and net tuition by university based on the time periods noted on page 20. From FY 1985-86 to FY 1994-95, net tuition increased at a higher rate than tuition rates at 13 of the 15 universities. From FY 1994-95 to FY 1999-2000 there was no clear trend: six universities had higher net tuition increases than tuition rate increases, while the opposite was true for nine universities. From FY 1999-2000 to FY 2002-03, net tuition increases were lower than tuition rate increases at 14 of the 15 universities.⁶

⁶ The single exception, Michigan Tech, was also one of the two exceptions in the FY 1985-86 to FY 1994-95 time period. The earlier exception was the result of sizable increases in institutional aid in the early 1990s; the later exception was the result of a large tuition rate increase in FY 2001-02.

Table 8
Tuition Rates and Net Tuition by University

University		Dollar Amounts				Annualized Percent Change (FY)			
		FY 86	FY 95	FY 00	FY 03	86to95	95to00	00to03	86to03
Central	Tuition Rate	1,507	2,948	3,630	4,747	7.7	4.3	9.4	7.0
	Net Tuition	885	1,998	2,531	2,861	9.5	4.8	4.2	7.1
Eastern	Tuition Rate	1,501	3,195	3,736	5,027	8.8	3.2	10.4	7.4
	Net Tuition	939	2,387	2,687	3,226	10.9	2.4	6.3	7.5
Ferris	Tuition Rate	1,671	3,412	4,118	5,417	8.3	3.8	9.6	7.2
	Net Tuition	1,007	2,314	2,687	3,000	9.7	3.0	3.8	6.6
Grand Valley	Tuition Rate	1,502	3,022	4,184	5,148	8.1	6.7	7.2	7.5
	Net Tuition	560	1,968	2,973	3,180	15.0	8.6	2.3	10.8
Lake Superior	Tuition Rate	1,455	3,312	4,034	4,758	9.6	4.0	5.7	7.2
	Net Tuition	559	2,156	2,459	2,457	16.2	2.7	(0.0)	9.1
Michigan State	Tuition Rate	2,133	4,661	5,255	6,454	9.1	2.4	7.1	6.7
	Net Tuition	1,470	3,640	4,063	4,589	10.6	2.2	4.1	6.9
Michigan Tech	Tuition Rate	1,797	3,636	4,766	6,591	8.1	5.6	11.4	7.9
	Net Tuition	921	1,561	2,116	3,802	6.0	6.3	21.6	8.7
Northern	Tuition Rate	1,447	2,690	3,146	4,780	7.1	3.2	15.0	7.3
	Net Tuition	335	1,377	1,625	2,182	17.0	3.4	10.3	11.7
Oakland	Tuition Rate	1,705	3,253	4,167	5,032	7.4	5.1	6.5	6.6
	Net Tuition	1,351	2,647	3,291	3,750	7.8	4.4	4.4	6.2
Saginaw Valley	Tuition Rate	1,628	3,003	3,512	4,382	7.0	3.2	7.7	6.0
	Net Tuition	889	1,928	2,290	2,450	9.0	3.5	2.3	6.1
UM-Ann Arbor	Tuition Rate	2,409	5,472	6,735	7,960	9.5	4.2	5.7	7.3
	Net Tuition	1,499	3,462	4,426	5,032	9.8	5.0	4.4	7.4
UM-Dearborn	Tuition Rate	1,757	3,696	4,516	5,521	8.6	4.1	6.9	7.0
	Net Tuition	1,368	2,924	3,557	3,731	8.8	4.0	1.6	6.1
UM-Flint	Tuition Rate	1,472	3,092	3,830	4,786	8.6	4.4	7.7	7.2
	Net Tuition	1,059	2,122	2,538	2,910	8.0	3.6	4.7	6.1
Wayne State	Tuition Rate	1,971	3,335	4,127	5,104	6.0	4.4	7.3	5.8
	Net Tuition	1,154	2,218	2,470	2,928	7.5	2.2	5.8	5.6
Western	Tuition Rate	1,613	3,238	4,147	5,156	8.1	5.1	7.5	7.1
	Net Tuition	971	2,523	3,213	3,247	11.2	5.0	0.4	7.4
Statewide Average	Tuition Rate	1,813	3,676	4,473	5,570	8.2	4.0	7.6	6.8
	Net Tuition	1,112	2,548	3,095	3,498	9.7	4.0	4.2	7.0

TAX CREDITS

Over the last decade, several income tax credits, both federal and state, were created that have effectively reduced the cost of university attendance by providing tax benefits that partially offset tuition costs. The impact of these credits on net tuition was not included in this report's analysis due to a lack of comprehensive data for the credits specific to students attending Michigan's state universities.⁷ Because this impact can be significant, a brief discussion of these tax credits' provisions and likely impact follows.

In 1995, the Michigan Legislature created the Michigan Tuition Tax Credit, which can be claimed against state income tax liability. Initially, the credit was equal to 4 percent of tuition and fees paid, up to a maximum of \$250 per tax year.

Beginning in 1998, the credit was equal to 8 percent of tuition and fees paid, up to a maximum of \$375. The credit can only be claimed, however, by students or parents of students attending a Michigan university or college that held the increase in its tuition and fee rate to the increase in the prior-year United States Consumer Price Index or below. The credit is limited to undergraduate study, cannot be claimed by taxpayers with adjusted gross income over \$200,000, cannot be claimed for more than four years, and is nonrefundable (it can only be claimed to the extent that a taxpayer has sufficient tax liability to offset).

Table 9 shows the state universities that qualified for each tax year. In both 1996 and 1997, students at ten of the 15 state universities were eligible for the credit. From 1999 to 2002, only one university qualified in any year, as the relevant inflation rate was very low for 1999 and 2000 (1.6 and 2.2 percent), and tuition rates subsequently increased at higher rates in conjunction with flat or reduced state funding.⁸

Table 9
State Universities Qualifying for the Michigan Tuition Tax Credit by Tax Year

<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
GVSU	EMU	CMU	CMU	None	LSSU	None	None
LSSU	FSU	GVSU	EMU				
MSU	GVSU	LSSU	FSU				
WMU	MSU	MSU	LSSU				
	MTU	MTU	MSU				
	NMU	NMU	NMU				
	SVSU	SVSU	SVSU				
	UM-D	UM-A					
	WSU	UM-D					
	WMU	WSU					

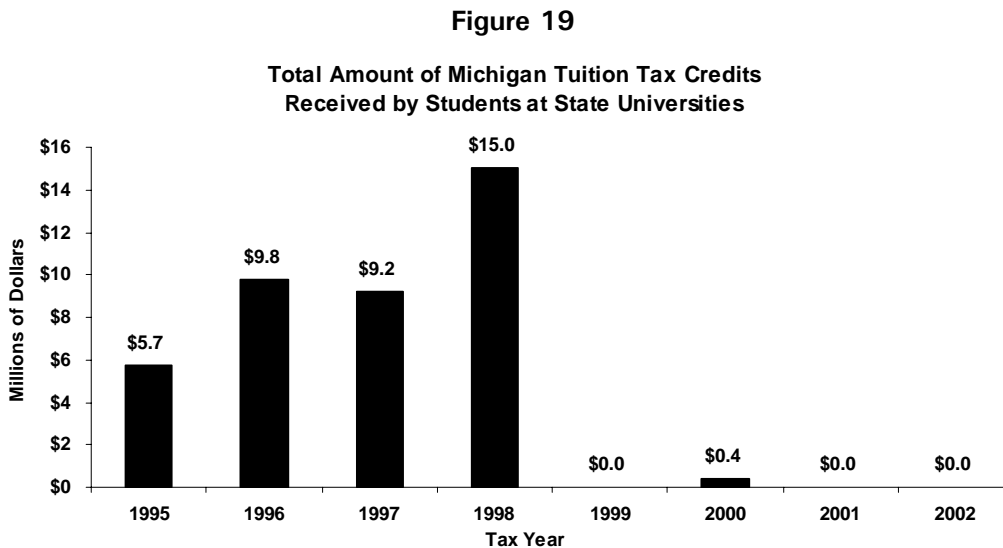
Source: Michigan Department of Treasury

⁷ University-specific data are available for the Michigan Tuition Tax Credit, but such data are not available for the federal tuition tax credits, which provide more sizable tax benefits. To be consistent, the Michigan Tuition Tax Credit data were not included in the net tuition calculations.

⁸ Office of Revenue and Tax Analysis, Michigan Department of Treasury, *Michigan's Experience With The College Tuition Tax Credit* (Lansing, MI, July 2001).

Total benefits received by students from the credit ranged from \$5.7 million to \$15.0 million in tax years 1995 to 1998, as shown in Figure 19. From 1999 to 2002, there were almost no benefits provided to students at state universities, with only one university qualifying for a single year during that period.

In the peak year of 1998, the \$15.0 million in total benefits translated to an average credit of \$237 for students claiming the credit. Across the total state university resident undergraduate enrollment, this equates to a per-student amount of \$97, which would have reduced the average tuition rate that year by 2.2 percent if the net tuition methodology were modified to include tax credits.⁹



Source: Michigan Department of Treasury

The nature of the Michigan Tuition Tax Credit is to effectively reduce tuition costs for students in years in which tuition increases were already restrained. Increases in the average tuition rate corresponding to tax years 1995 to 1998, when the tax credit provided substantial benefits to students, ranged from 3.7 to 5.0. Tuition increases remained moderate for tax years 1999 and 2000, but inflation was even lower. For tax years 2001 and 2002, when the increases in the average tuition rate were 10.2 and 8.9 percent, no benefits were provided to students through the tax credit.

In 1997, two federal income tax credits were created that partially offset tuition costs. Only one of the federal credits can be claimed in a given year.

- The *Hope Tax Credit* is equal to 100 percent of the first \$1,000 in tuition costs and certain related expenses and 50 percent of the next \$1,000 in costs (equating to a maximum credit of \$1,500 per student) for the first two years of full-time undergraduate study. It is nonrefundable and subject to certain income limits (\$103,000 of adjusted gross income for a joint return).
- The *Lifelong Learning Credit* is equal to 20 percent of the first \$10,000 in tuition costs and certain related expenses (equating to a maximum credit of \$2,000 per tax return) for any

⁹ This assumes that the relevant tuition rate for a given tax year is the following fiscal year. For example, the relevant tuition rate for tax year 1998 was the FY 1998-99 rate. In fact, the tuition costs for a given fiscal/academic year are likely paid across two separate tax years.

type of postsecondary education for an unlimited number of years. It is also nonrefundable and subject to certain income limits (\$103,000 of adjusted gross income for a joint return).

The provisions summarized above are for tax year 2003; some changes have been made since the credits were created in 1997.

Benefits from these federal credits are more sizable than those from the Michigan Tuition Tax Credit. The College Board estimates that the federal tax credits resulted in \$471 in benefits per student in FY 2002-03 (across all students, not just those claiming a credit).¹⁰ This figure equates to 8.5 percent of the average FY 2002-03 tuition rate at state universities in Michigan. The actual reduction the federal tax credits provide to students at Michigan universities may vary somewhat from this percentage since the average credit amount estimated by the College Board applies to all categories of colleges and universities in all states.

Unlike the Michigan Tuition Tax Credit, the federal tax credits can be expected to provide consistent benefits to students across all tax years, since the federal credits have no tuition-increase limit or similar requirement for eligibility. It can be assumed, therefore, that the effective cost of university attendance was reduced by the credits for FY 1998-99 and all subsequent years (the federal tax credits were available beginning with tax year 1998). Average net tuition increased at an annualized rate of 4.2 percent from FY 1997-98 to FY 2002-03. If the federal tax credits could be included in the net tuition calculation used in this publication, the increase in net tuition would be lower than that amount.

¹⁰ The College Board, *Trends in Student Aid* (October 2003).

CONCLUSION

In FY 2002-03, grant aid from federal, state, and institutional general fund sources reduced the average amount paid by resident undergraduate students at state universities in Michigan by 37.2 percent from the full tuition rates at those universities. If aid from institutional restricted fund and private sources could be included in this analysis, the reduction would be larger.

From FY 1985-86 to FY 2002-03, average net tuition increased at roughly the same rate as the average tuition rate. Over the final three years of that time period, creation of the Michigan Merit Award Program resulted in net tuition increasing at only half the rate of tuition rates. Additionally, creation of two federal tuition tax credits in 1997 reduced the effective cost of university attendance in the last several years.

It is important to note that the data in this report are all based on averages. For example, the amount of federal aid per student is calculated across total undergraduate enrollment. The resulting average accounts for both students receiving the maximum Pell Grant award amount and students not receiving Pell Grants. In FY 2002-03, 22.9 percent of undergraduate students received Pell Grants—so about three-fourths of students received no federal aid. Similarly, 10.4 percent of resident undergraduate students received State Competitive Scholarships in FY 2002-03. About one-tenth of students received aid from this program; the remaining students received no aid from the program.

Both of these programs require financial need for eligibility, so the benefits of the programs are directed toward students from lower-income households. Because the data available from HEIDI can only be used to calculate averages, this report has not provided information on changes in tuition, financial aid, and net tuition for students from different income groups. Various national-level reports (see list in Appendix C) have examined these trends for students from lower-, middle-, and upper-income households. The following statement from one of those reports summarizes financial aid trends over the last several decades:

The nation's 16.5 million postsecondary students can receive financial aid that does not need to be repaid from federal and state governments, institutions, and other private sources. During the 1970s and 1980s as college costs increased dramatically, these grants tended to focus on increasing access to college for low-income students. Since then, much of the grant aid from states and institutions has shifted to rewarding academic merit, which tends to help middle- and high-income students more than in the past.¹¹

The history of federal and state financial aid programs in Michigan is consistent with this summary. Prior to FY 2000-01, the bulk of federal and state aid was provided to students through Pell Grants and State Competitive Scholarships, both of which require financial need. Aid provided through these programs has been fairly consistent over time—increasing at annualized rates of 5.2 percent and 2.2 percent, respectively, from FY 1985-86 to FY 2002-03.

¹¹ Katie Fitzpatrick and Elaine M. Maag, "Tax Credits and Grants for Undergraduates," *Tax Notes* (Tax Policy Center, May 31, 2004).

Beginning in FY 2000-01, this need-based aid has been supplemented by Michigan Merit Awards which are entirely merit-based (the awards have no income limit or other need-based criteria). These awards, then, provide benefits to students across all income levels.

National-level studies have found that the two federal tax credits created in 1997 tend to benefit middle-income households. Higher-income households cannot claim the credit due to the income thresholds, and one national-level report states the following regarding the federal credits and lower-income households:

Lower-income students may receive little or no benefit from the tax credits for two reasons. First, only tuition and fees not covered by another grant can be applied toward credit eligibility. Second, the HOPE and lifetime learning credits are not refundable, so only a person who owes income tax can benefit from the credit.¹²

Review of available information indicates that the two largest recent policy developments affecting resources available to Michigan students to offset tuition costs—federal tax credits and the Michigan Merit Award Program—have benefited middle-income students (and, in the case of Merit Awards, upper-income students) more than previously-existing financial aid programs had. The data to more fully investigate changes in financial aid and net tuition for different income groups are not readily available.

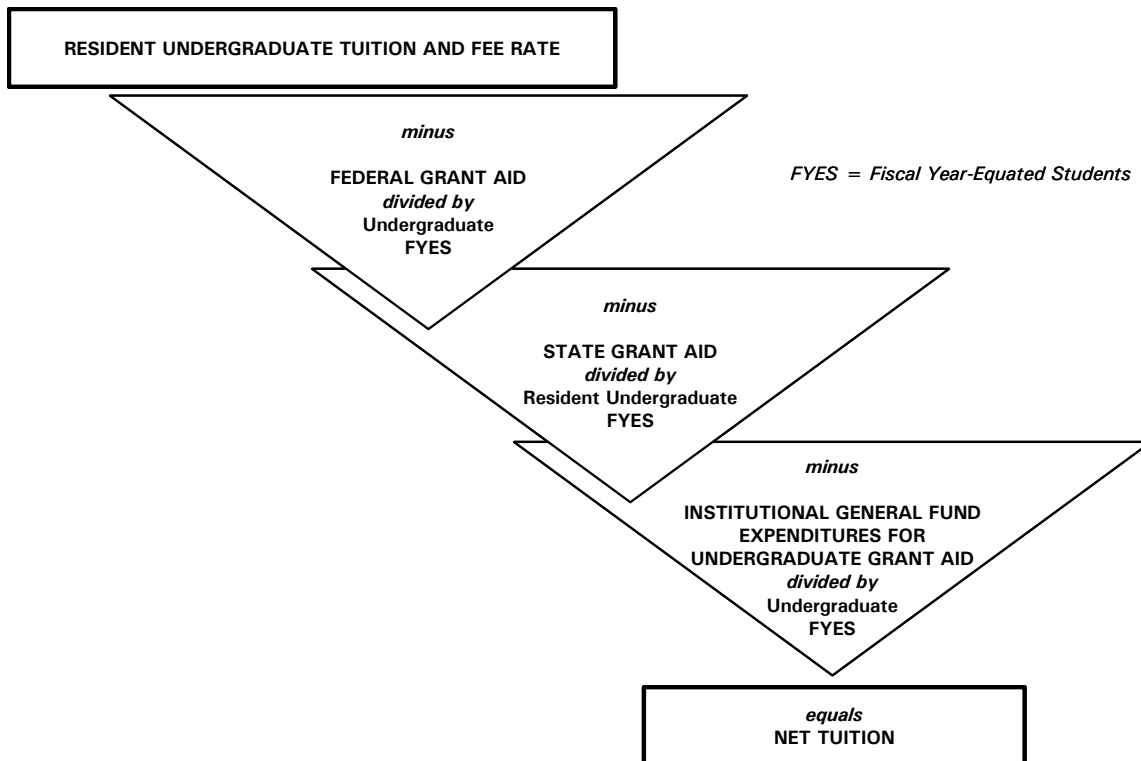
¹² Ibid.

APPENDICES

APPENDIX A

Net Tuition Methodology

The precise formula used in this report to calculate net tuition is as follows:



The starting point for the net tuition calculation is the university's resident undergraduate tuition and fee rate. Under the traditional HEIDI definition, this rate includes all mandatory fees paid by a majority of full-time students. For universities with differing lower division and upper division rates, the average of the two rates is used.

Other costs—in particular, university room and board rates—related to obtaining a college education were not included in this analysis. There are several reasons for this exclusion:

- To some extent, room and board rates reflect costs that would be incurred by a person regardless of whether that person is pursuing a college education.
- Not all students utilize university-provided room and board—whereas all students pay the university's tuition rate.
- Not all universities provide room and board, so comparison across universities would not be possible if room and board rates were included. (UM-Dearborn and UM-Flint do not offer room and board; Wayne State did not offer traditional dormitory-style room and board until FY 2002-03.)
- University room and board rates vary less than tuition rates do. (In FY 2002-03, room and board rates varied between \$4,932 and \$6,366, according to the Presidents Council.) Also,

increases in room and board rates have been somewhat more moderate than increases in tuition rates over the last several years.

Subtracting financial aid from only the tuition rate is somewhat problematic since some forms of financial aid can be applied to room and board costs. This does not present a large obstacle, however, given that very few students are likely to receive sufficient grant aid to completely offset tuition costs.

Financial aid amounts subtracted from the tuition rate to arrive at a net tuition figure were restricted to scholarship and grant aid in order to reflect only aid that ultimately reduces tuition costs for students. Aid in the form of work study payments requires employment similar to other employment a student might undertake to pay for college costs, and aid in the form of loans must eventually be repaid by the student. While government funding of work study grants and loan subsidies provides indirect benefits to students, the benefits are small compared to benefits received from scholarship/grant aid of the same amount and difficult to measure.

Three categories of financial aid—federal, state, and institutional—are subtracted from the tuition rate to arrive at net tuition. As explained below, estimates for each of these categories vary somewhat in reliability.

Federal aid is composed of Pell Grants and other federal government awards—primarily, federal Supplemental Education Opportunity Grants. Since both these federal grants are available only to undergraduate students, but to all undergraduate students regardless of residency, the total amount of federal aid is divided by total undergraduate fiscal year-equated students (FYES) to arrive at a per-student amount. This calculation reflects an assumption that resident and nonresident students receive, on average, the same amount of federal aid. This assumption is made because the federal government does not consider residency as a criterion for aid.

State aid is composed of awards from several state-funded programs: Michigan Merit Awards, State Competitive Scholarships, Indian Tuition Waivers, Tuition Incentive Program Awards, Nursing Scholarships, Michigan Education Opportunity Grants, Part-Time Independent Student Awards, and Postsecondary Access Student Scholarships. Because these programs are, for the most part, restricted to resident undergraduate students, the total amount of state aid is divided by resident undergraduate FYES. This estimate is the most reliable of the financial aid estimates.

Institutional aid is restricted to aid provided from institutional general fund sources. Data on aid provided from institutional restricted sources (private donors, endowments, etc.) are not readily available. The exclusion of such aid results in an understatement of the amount of financial aid, particularly at universities with large restricted sources available to them—most significantly UM-Ann Arbor, which had a total endowment of \$2.9 billion at the end of FY 2002-03.

Data restricting institutional general fund aid to that provided to undergraduate students are available; data restricting the aid to that provided to resident students are not. The amount of institutional aid is, therefore, divided by total undergraduate FYES. This reflects an assumption that institutional aid is provided to resident and nonresident students on an equal basis.

For most universities, the percentage of enrollment constituted by nonresident students is small enough that any discrepancy between aid provided to resident students and nonresident students is unlikely to have a significant impact on the per-student aid estimate. The major exception is UM-Ann Arbor, at which 40.9 percent of FYES in FY 2002-03 was the result of nonresident enrollment. Based on FY 2002-03 institutional aid data submitted to the House Appropriations Subcommittee on Higher Education in 2004, it appears that nonresident students receive higher average amounts of aid

than resident students. The institutional aid estimates for UM-Ann Arbor, therefore, likely overstate the amount of aid provided to resident students—by a magnitude of perhaps 30 percent, based on the data submitted to the subcommittee.¹³

Dividing aid by the number of FYES may tend to slightly understate the average amount of aid received by full-time students since a portion of FYES represents part-time students not eligible for many types of financial aid. Since all state universities have relatively high FYES-to-headcount ratios, however, this effect is probably minimal.

Data for financial aid from sources other than those listed above (private organizations, etc.) is not available, but such aid is likely of a lesser magnitude than aid from federal, state, and institutional sources.

More significant is the exclusion of benefits received by college students or their parents from federal and state tax credits, as discussed in the body of the report.

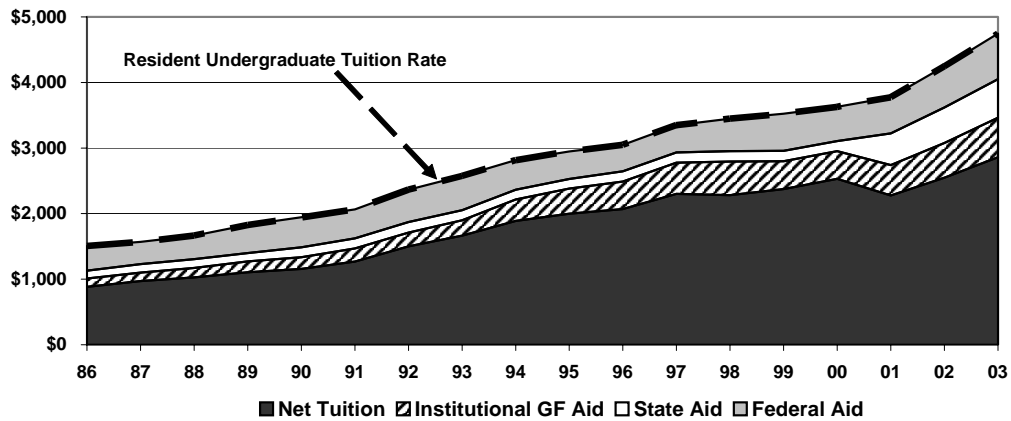
In sum, although the methodology used in this report is based on reasonable assumptions, the resulting net tuition data should be viewed as estimates, rather than precise measures. Under ideal circumstances, institutional aid from endowments and other restricted sources, aid from private sources, and the impact of tuition tax credits would be included in the analysis. In general, the net tuition figures in this report overstate the actual average effective tuition costs, particularly in recent years when the federal tax credits were available to students and their families.

¹³ UM-Ann Arbor's institutional aid data were smoothed over the period of FY 1995-96 to FY 2001-02. Absent this smoothing, a change in the university's reporting methodology beginning in FY 1998-99 results in a very large year-to-year reduction in the amount of aid provided that does not reflect an actual change of that magnitude in that single year.

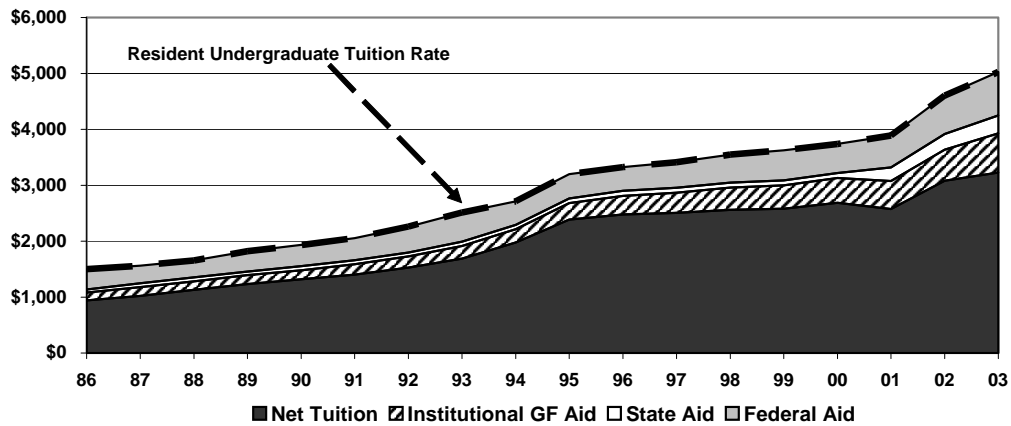
APPENDIX B

**Tuition Rates, Financial Aid, and Net Tuition
Graphs for 15 State Universities**

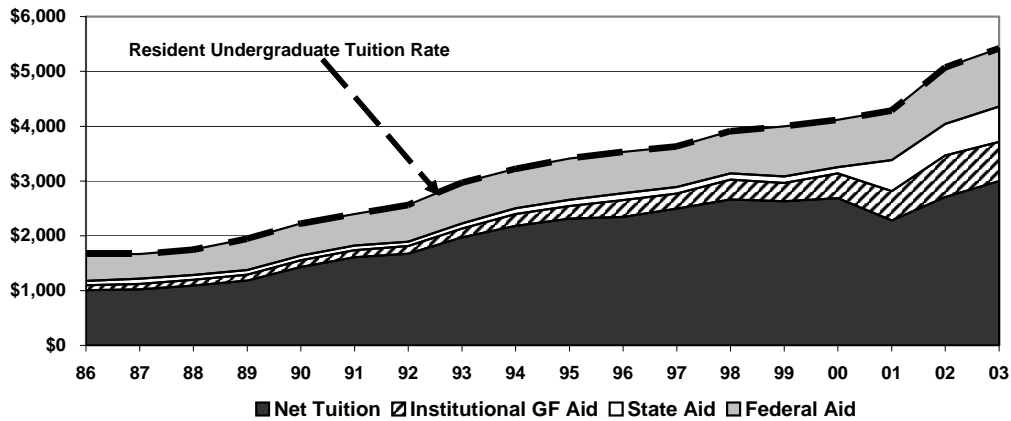
**Tuition Rates, Financial Aid, and Net Tuition
Central Michigan University**



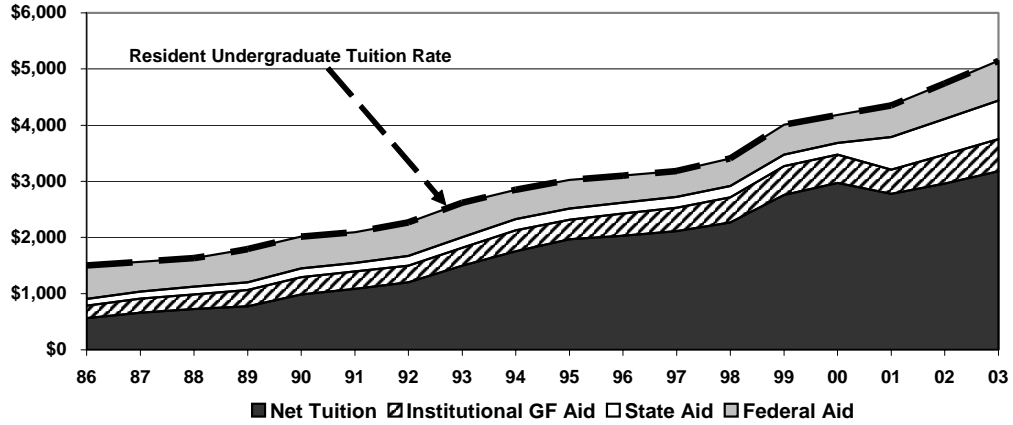
**Tuition Rates, Financial Aid, and Net Tuition
Eastern Michigan University**



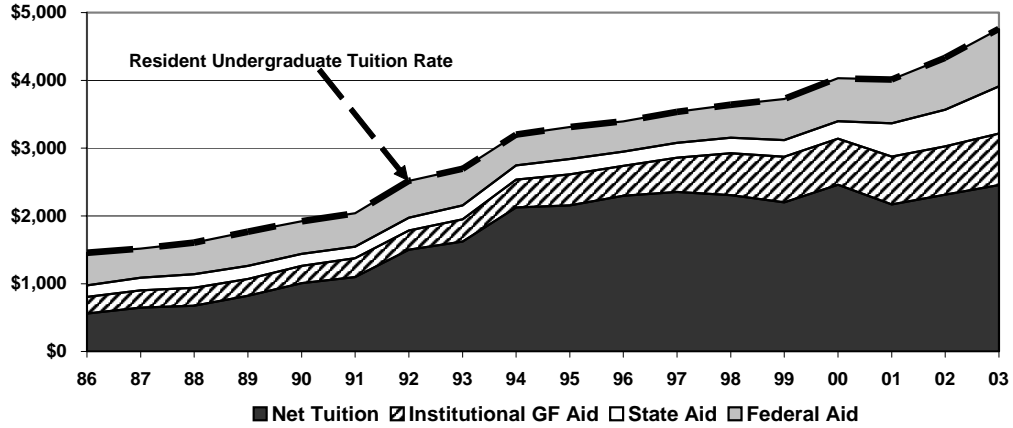
**Tuition Rates, Financial Aid, and Net Tuition
Ferris State University**



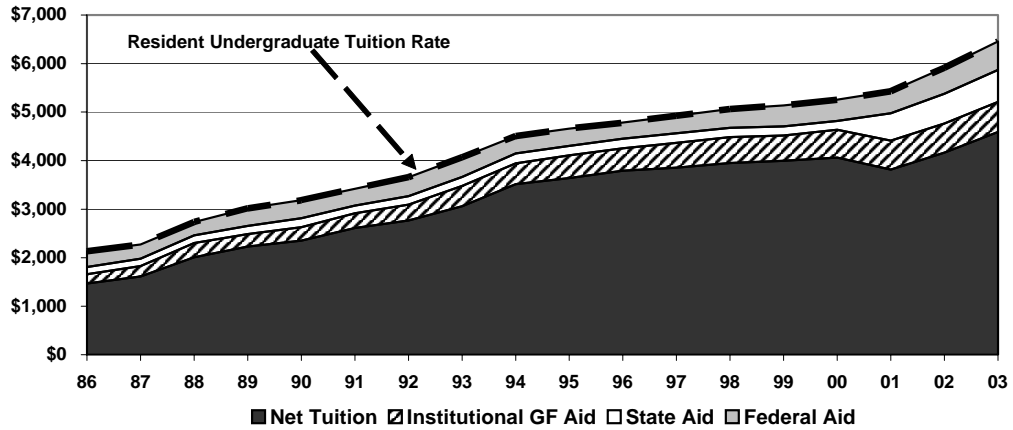
Tuition Rates, Financial Aid, and Net Tuition
Grand Valley State University



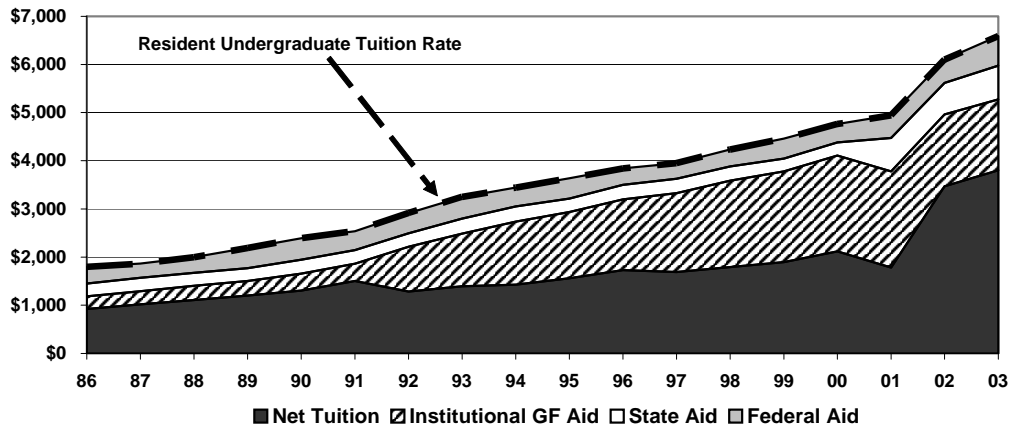
Tuition Rates, Financial Aid, and Net Tuition
Lake Superior State University



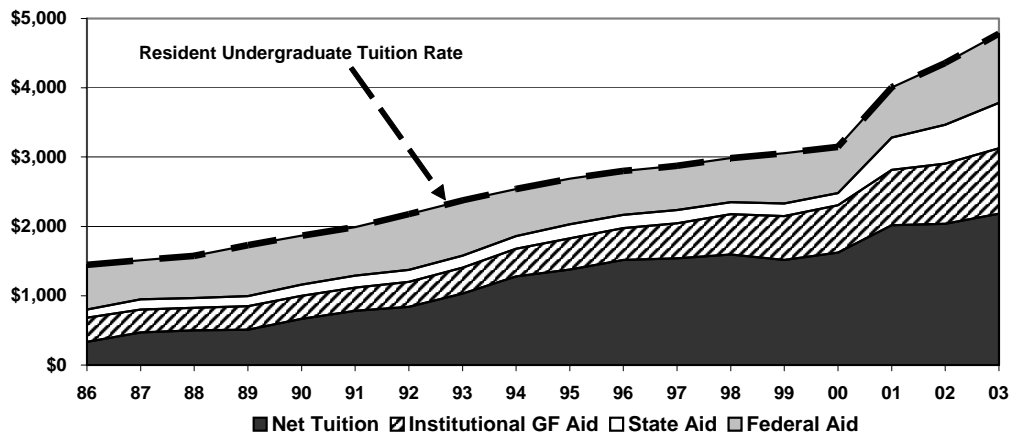
Tuition Rates, Financial Aid, and Net Tuition
Michigan State University



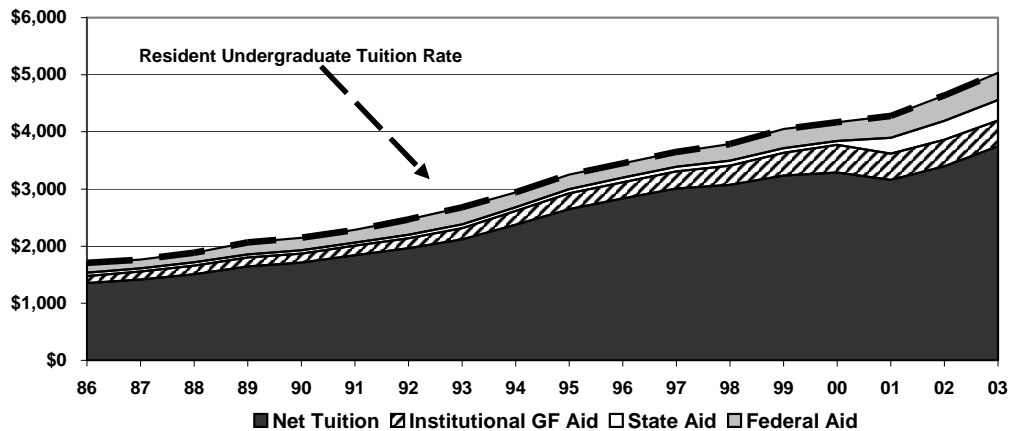
**Tuition Rates, Financial Aid, and Net Tuition
Michigan Technological University**



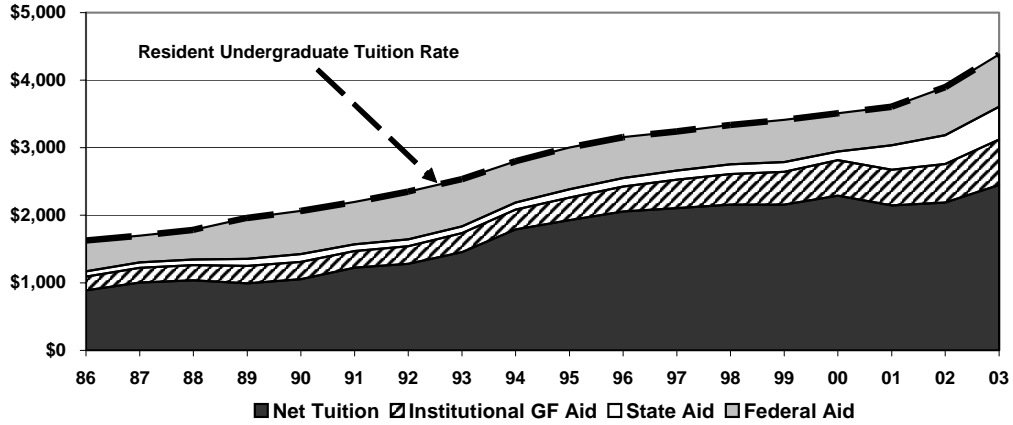
**Tuition Rates, Financial Aid, and Net Tuition
Northern Michigan University**



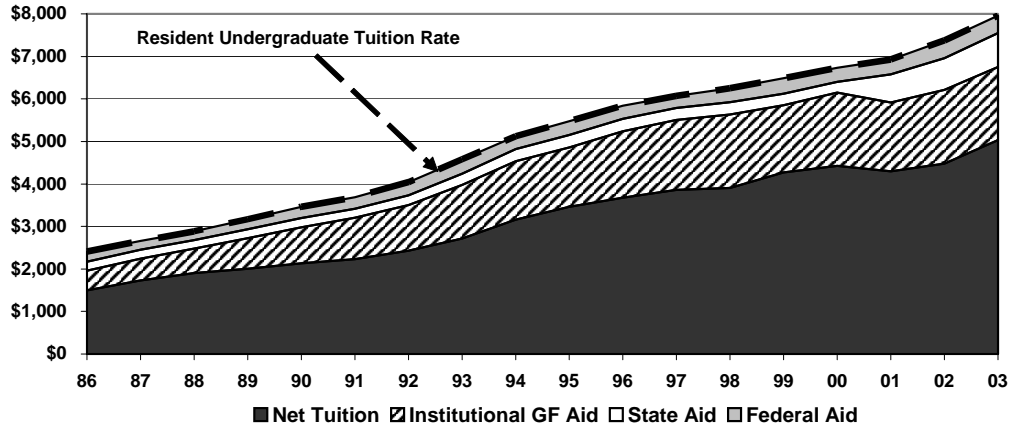
**Tuition Rates, Financial Aid, and Net Tuition
Oakland University**



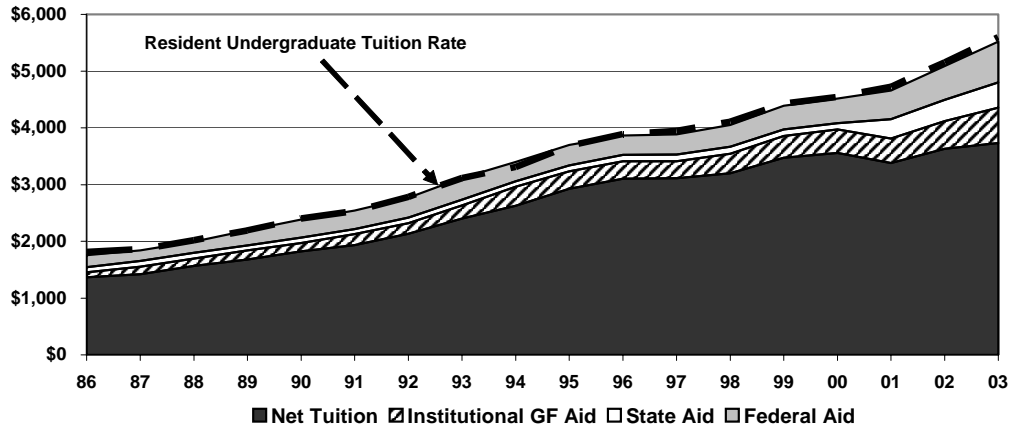
Tuition Rates, Financial Aid, and Net Tuition
Saginaw Valley State University



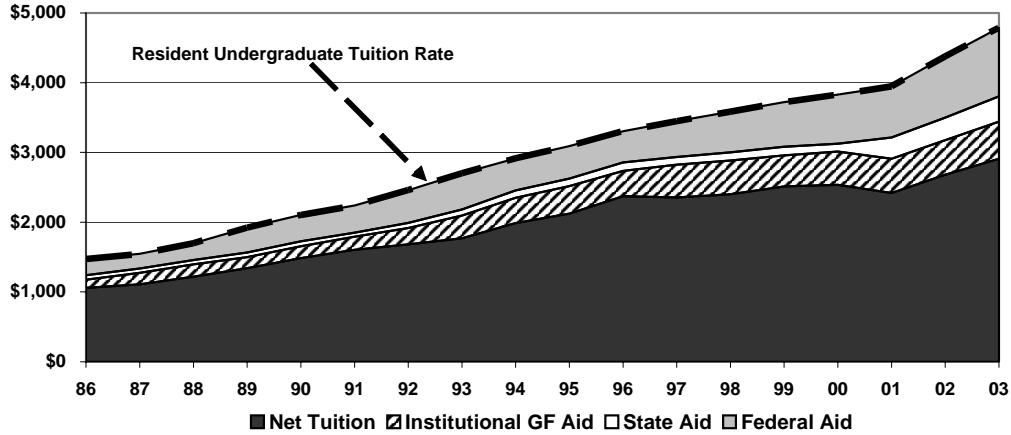
Tuition Rates, Financial Aid, and Net Tuition
University of Michigan-Ann Arbor



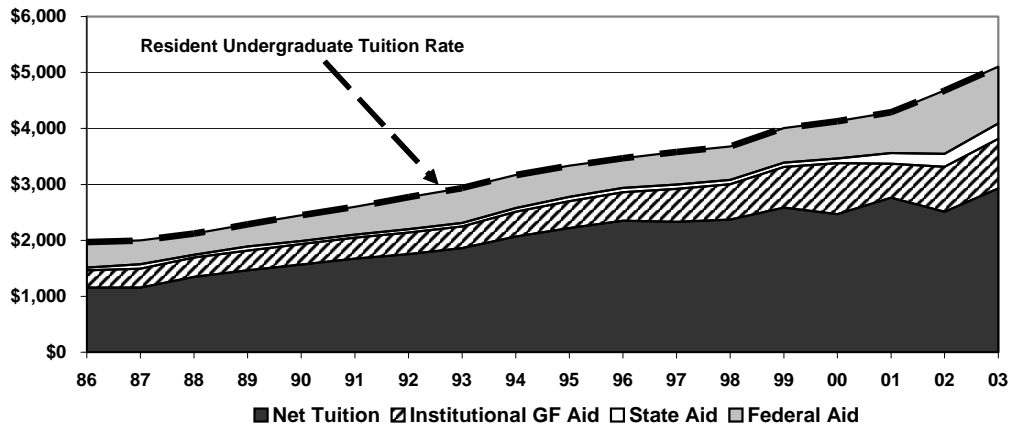
Tuition Rates, Financial Aid, and Net Tuition
University of Michigan-Dearborn



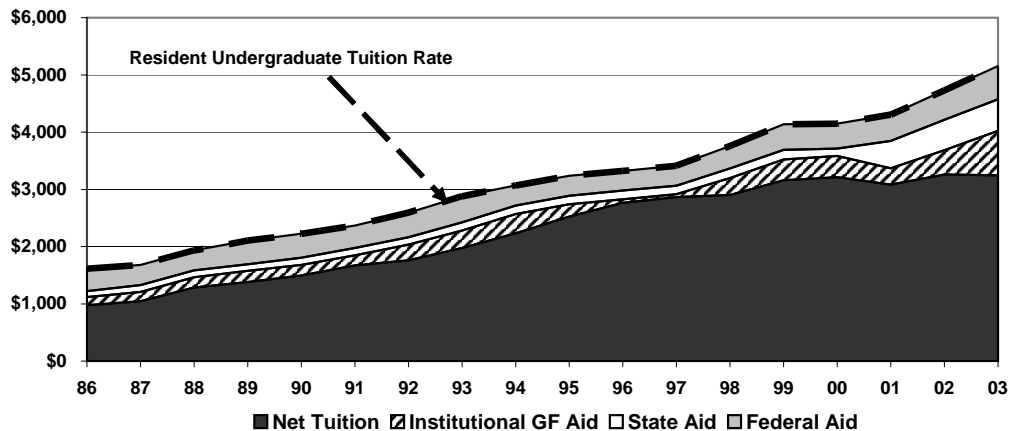
**Tuition Rates, Financial Aid, and Net Tuition
University of Michigan-Flint**



**Tuition Rates, Financial Aid, and Net Tuition
Wayne State University**



**Tuition Rates, Financial Aid, and Net Tuition
Western Michigan University**



APPENDIX C

National-Level Reports on Tuition Rates, Financial Aid, and Net Tuition

The College Board, *Trends in College Pricing* (October 2003). Available at www.collegeboard.com.

The College Board, *Trends in Student Aid* (October 2003). Available at www.collegeboard.com.

Davis, Jerry Sheehan, *Unintended Consequences of Tuition Discounting* (Lumina Foundation for Education, May 2003). Available at www.luminafoundation.org.

Fitzpatrick, Katie and Elaine M. Maag, "Federal Financial Aid for Higher Education: Programs and Prospects" (Urban Institute, January 2004). Available at www.urban.org.

Fitzpatrick, Katie and Elaine M. Maag, "Tax Credits and Grants for Undergraduates," *Tax Notes* (Tax Policy Center, May 31, 2004). Available at www.urban.org.

National Center for Education Statistics, *Paying for College: Changes Between 1990 and 2000 for Full-Time Dependent Undergraduates* (U.S. Department of Education, June 2004). Available at nces.ed.gov.

National Center for Education Statistics, *What Colleges Contribute: Institutional Aid to Full-Time Undergraduates Attending 4-Year Colleges and Universities* (U.S. Department of Education, April 2003). Available at nces.ed.gov.

National Center for Education Statistics, *What Students Pay for College: Changes in Net Price of College Attendance Between 1992-93 and 1999-2000* (U.S. Department of Education, June 2004). Available at nces.ed.gov.

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Corrections ▪ Judiciary Marilyn Peterson, Senior Analyst
Environmental Quality ▪ History, Arts, and Libraries ▪ Natural Resources ▪
Natural Resources Trust Fund ▪ Federal Funds Monitoring Kirk Lindquist, Senior Analyst
Attorney General ▪ Civil Rights ▪ Civil Service ▪ Executive Office ▪ Information Technology ▪
Legislature ▪ Lottery ▪ Management and Budget ▪ State Robin Risko, Senior Analyst
Treasury Robin Risko, Senior Analyst; Viola Bay Wild, Fiscal Analyst
Military and Veterans Affairs ▪ State Police Jan Wisniewski, Senior Analyst
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