

# FISCAL FOCUS

## State Financial Aid Funding for Postsecondary Education

Prepared by  
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September 2008



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TO: Members of the House of Representatives

Over the last decade, state funding for student financial aid programs has more than doubled, making financial aid a topic of increased interest to state legislators and other policy makers. Given the nine different programs with varying objectives currently receiving state funding, state financial aid funding can be a fairly complex topic to investigate.

This report provides information on each of Michigan's state financial aid programs, as well as context regarding historical changes to state financial aid funding and comparisons with financial aid funding in other states.

Kyle I. Jen, Senior Fiscal Analyst, is the author of this report. Jeanne Dee, Administrative Assistant, prepared the material for publication.

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

A handwritten signature in black ink that reads "Mitchell E. Bean". The signature is written in a cursive, flowing style.

Mitchell E. Bean  
Director



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# INTRODUCTION

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The FY 2008-09 Higher Education budget includes \$227.5 million in state funding for student financial aid programs. While this figure is considerably smaller than the direct operational support appropriated to the state's public universities and community colleges—nearly \$1.8 billion for FY 2008-09—state financial aid funding nevertheless represents a substantial amount of state resources allocated to assist students in pursuit of postsecondary education.

This report provides an overview of the nine state-funded financial aid programs appropriated in the Higher Education budget (the Promise Grant and Merit Award Programs are treated as one program, as the former is replacing the latter). Information is also provided on state financial aid award amounts by postsecondary sector, changes in state financial funding in recent years, comparisons with financial aid funding in other states, and state financial aid funding relative to other sources of student financial aid funding.

Definitions for financial aid terms used throughout this report are as follows:

**Scholarships/Grants:** Awards based on financial need, academic merit, or other criteria; these do not need to be repaid.

**Work Study:** Funds earned through employment during college enrollment.

**Loans:** Funds that need to be repaid at the end of college enrollment, generally with associated interest costs.

**Need-Based Aid:** Awards based on financial need. In general, need is determined based on a federal formula that subtracts a calculated expected family contribution (based on income, assets, and other considerations) from college costs (tuition/fees, room and board, books, etc.).

Note that college costs vary significantly depending on the type of postsecondary institution a student attends. According to the College Board, the 2007-2008 average total costs on a national basis were \$13,126 for students attending two-year public colleges, \$17,336 for students attending four-year public colleges and universities, and \$35,374 for students at four-year private colleges and universities.<sup>1</sup> A student attending a four-year private college, therefore, may be more likely to have financial need under the federal formula.

**Non-Need-Based Aid:** Awards based on academic achievement (exam scores, etc.) or other non-need-based characteristics. Aid based on academic achievement is often referred to as "merit-based."

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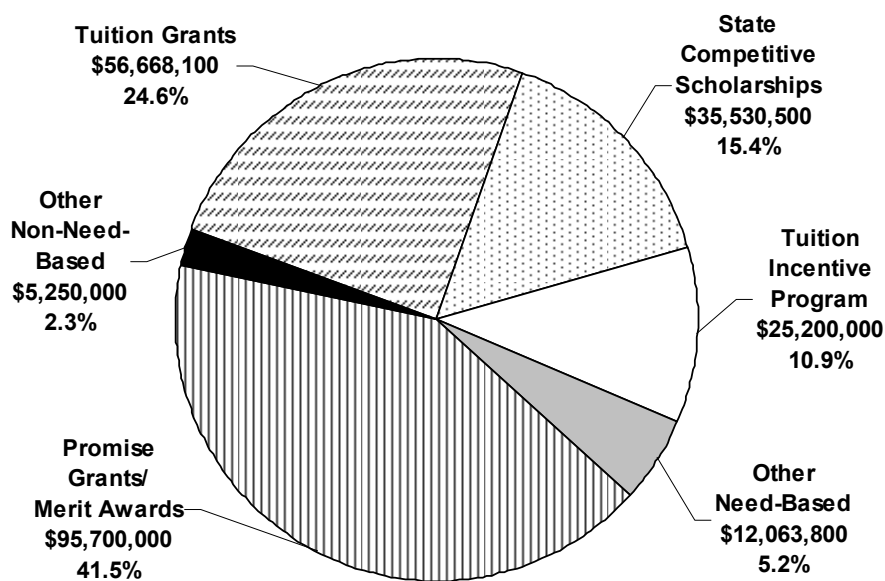
<sup>1</sup> Source: <<http://www.finaid.org/calculators/costprojector.phtml>>.

Certain financial aid programs administered by the State of Michigan are excluded from this report:

- ▶ Several student loan programs and two college savings programs [Michigan Education Trust (MET) and Michigan Education Savings Programs (MESP)] are outside the scope of this report because—with the exception of administrative costs and a small appropriation in the Treasury budget for MESP matching funds—they are self-sustaining.
- ▶ Two financial aid grant programs that are funded entirely with federal revenue are outside the scope of this report because they are driven by federal—rather than state—policy.
  - » The Robert C. Byrd Honors Scholarship Program provides financial aid awards to one outstanding graduating senior nominated by each high school principal in the state. The FY 2008-09 appropriation for this program is \$1.5 million in federal funds.
  - » Project GEAR UP provides grants to students enrolled in several urban school districts participating in a program that is intended to increase the number of low-income students pursuing a postsecondary education. The FY 2008-09 appropriation for this program is \$3.0 million in federal funds.

Federal funds of \$2.9 million appropriated to supplement state funds for the State Competitive Scholarship Program, however, are included in the figures reported throughout this report, as those funds are commingled with state funding for Competitive Scholarships.<sup>2</sup>

**Figure 1  
FY 2008-09 State Financial Aid Appropriations**



<sup>2</sup> The federal funds are received from two programs called Leveraging Education Assistance Partnership (LEAP) and Special Leveraging Education Assistance Partnership (SLEAP). The programs provide funds to states for need-based financial aid awards to students attending postsecondary institutions, subject to certain matching and maintenance-of-effort requirements.



Figure 1 and Table 1 show FY 2008-09 appropriation amounts for state-funded financial aid programs. Programs are classified as need-based or non-need-based. Most of the need-based programs utilize the federal financial aid process, based on submission of the Free Application for Federal Student Aid (FAFSA), to determine financial need. The exception is the Tuition Incentive Program, for which program eligibility is based on Medicaid eligibility between the 6th and 12th grades.

**Table 1**  
**FY 2008-09 State Financial Aid Appropriations**

<u>Program</u>	<u>Appropriation</u>	<u>% of Total</u>
<b><u>Need-Based</u></b>		
Tuition Grant Program	\$56,668,100	24.6
State Competitive Scholarship Program	35,530,500	15.4
Tuition Incentive Program	25,200,000	10.9
Michigan Work Study Program	7,326,300	3.2
Part-Time Independent Student Program	2,653,300	1.2
Michigan Education Opportunity Grant Program	2,084,200	0.9
Subtotal	\$129,462,400	56.2
<b><u>Non-Need-Based</u></b>		
Promise Grant/Merit Award Programs	\$95,700,000	41.5
Nursing Scholarship Program	4,250,000	1.9
Children of Veterans Tuition Grant Program	1,000,000	0.4
Subtotal	\$100,950,000	43.8
<b>TOTAL APPROPRIATIONS</b>	<b>\$230,412,400</b>	<b>100.0</b>
<b><u>Funding Sources</u></b>		
Federal Funds: Competitive Scholarships	\$2,900,000	1.3
Restricted Funds: Children of Veterans	300,000	0.1
Merit Award Trust Fund	115,800,000	50.3
General Fund/General Purpose	111,412,400	48.4
<b>TOTAL FUNDING SOURCES</b>	<b>\$230,412,400</b>	<b>100.0</b>

*Note: Excludes two programs funded entirely from federal funds.*

Overall, state financial aid funding can be categorized in two ways:

- ▶ Slightly over half (56.2%) of state financial aid funding has a need-based component. This proportion will change beginning in FY 2009-10, when funding for the Promise Grant Program will increase to pay for awards to students completing two years of college. At that point, non-need-based aid will likely exceed need-based aid.
- ▶ Financial aid funding can also be categorized in terms of an exam-based component. In addition to demonstrated financial need, the State Competitive Scholarship program requires a qualifying score on the ACT college entrance exam. Exam scores are also

used to qualify students for the Promise Grant/Merit Award Programs payments for which funds are currently appropriated.

Between the Competitive Scholarship and Promise Grant/Merit Award Programs, more than half (57.0%) of current state financial aid funding has an exam-based component.

Setting aside the two smaller funding sources (federal and restricted) shown in Table 1, funding for state financial aid programs is split into roughly equal amounts from the Michigan Merit Award Trust Fund (which receives a portion of the state's share of tobacco settlement revenue) and General Fund/General Purpose (GF/GP) revenue.

The following two sections of this report provide more specific information on need-based and non-need-based state financial aid programs. In each section, programs are listed in descending order of FY 2008-09 appropriation amounts. Data on awards under each program are from FY 2006-07.

The information in this report focuses on policy-related aspects of the programs and does not constitute a complete listing of all program requirements.<sup>3</sup> The requirements listed below are fairly consistent for award recipients across all nine programs; exceptions are noted in the subsections for individual programs.

- ▶ Michigan residency, generally for a minimum of one year prior to receiving an award.
- ▶ U.S. citizenship or permanent residency.<sup>4</sup>
- ▶ Enrollment at a Michigan postsecondary institution; generally, the institution must be degree-granting.
- ▶ Enrollment for at least half-time status.
- ▶ Maintenance of satisfactory academic progress according to institutional requirements.

Some programs have time limits for claiming financial aid awards following high school graduation; others do not. Programs also vary in terms of what educational costs can be paid through the financial aid awards. For some programs, awards are limited to tuition and mandatory fees; for others, awards may be spent on other educational expenses (room and board, books, etc.). For the most part, awards can be packaged in a way to maximize a student's eligibility for federal and state financial aid.

Unless otherwise noted, all program data displayed in this report were provided by the Michigan Department of Treasury, which administers all of the state financial aid programs discussed. With the exception of the Promise Grant, Merit Award, and Tuition Incentive Programs, the remaining programs are overseen by the Michigan Higher Education Assistance Authority (MHEAA), a 15-member body appointed by the governor (created by 1960 Public Act (PA) 77.

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<sup>3</sup> Comprehensive information on individual program requirements is available at <<http://www.michigan.gov/mistudentaid/>>.

<sup>4</sup> The exception to the citizenship/permanent residency requirement is the Promise Grant Program.

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# NEED-BASED PROGRAMS

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Six of the financial aid programs receiving state-funded appropriations are need-based. Of those six, five are scholarship/grant programs; the sixth is the Michigan Work Study Program.

## ***Tuition Grant Program***

The Tuition Grant Program was established by 1966 PA 313. Awards under the program are restricted to students enrolled at independent, degree-seeking colleges and universities and are based on demonstrated financial need. Awards are limited to ten semesters of undergraduate education, six semesters of graduate education, and eight semesters of dental education.

The FY 2008-09 appropriation of \$56.7 million for the Tuition Grant Program is funded entirely from GF/GP revenue.

Based on the amount of available funding for the program and number of projected eligible students, MHEAA sets a maximum award amount each year.<sup>5</sup> Some award recipients receive awards below the maximum due to a lower amount of financial need. For FY 2008-09, the maximum award is \$2,100; this is the third consecutive year the maximum award has been set at that level. The peak year for the award amount was FY 2001-02, when it was set at \$2,750.

In FY 2006-07, 34,141 students at 38 independent institutions received Tuition Grant awards totaling \$51.0 million; the average award was \$1,493.

An additional \$4.3 million from the FY 2006-07 appropriation for the Tuition Grant Program was used for supplemental State Competitive Scholarship awards to students attending independent institutions pursuant to statute (further details are provided in the description of the Competitive Scholarship Program).

Table 2 shows the postsecondary institutions with the largest amounts of Tuition Grant awards received by their students in FY 2006-07. Twelve institutions had total award amounts of at least \$1.0 million. The total of \$26.8 million for the top two institutions—Baker College and Davenport University (both of which have multiple campuses across the state)—constituted over half (52.6%) of the total awards of \$51.0 million.

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<sup>5</sup> In recent years, the Legislature has included boilerplate language in the annual Higher Education budget act directing MHEAA to set the maximum award amount at no less than a certain specified level (\$2,100 most recently) or report back regarding the amount of funds necessary to establish the maximum award amount at that level.

**Table 2**  
**Top Institutions by Total FY 2006-07 Tuition Grant Award Amount**

	<u>Institution</u>	<u>Total Amount</u>	<u># of Awards</u>	<u>Average Award</u>
1	Baker College (multiple campuses)	\$19,163,592	13,743	\$1,394
2	Davenport University (multiple campuses)	\$7,617,534	6,180	\$1,233
3	University of Detroit Mercy	\$2,677,574	1,590	\$1,684
4	Spring Arbor University	\$2,130,717	1,314	\$1,622
5	Madonna University	\$1,753,156	1,152	\$1,522
6	Northwood University	\$1,610,305	946	\$1,702
7	Marygrove College	\$1,407,037	867	\$1,623
8	Cornerstone University	\$1,390,841	815	\$1,707
9	Aquinas College	\$1,176,930	659	\$1,786
10	Lawrence Technological University	\$1,155,897	705	\$1,640
11	Olivet College	\$1,108,063	577	\$1,920
12	Siena Heights University	\$1,012,092	635	\$1,594

*Note: Figures do not include supplemental Competitive Scholarship awards funded from Tuition Grant appropriation pursuant to statute.*

**State Competitive Scholarship Program**

The State Competitive Scholarship Program was established by 1964 PA 208. Unlike most state and federal financial aid programs—which tend to be based either exclusively on financial need or exclusively on academic merit—the Competitive Scholarship Program requires that criteria of both types be met. To receive a scholarship award, a graduating high school student must:

- ▶ Achieve a qualifying score on the ACT college entrance exam
- AND
- ▶ Have demonstrated financial need.

Students receiving a Competitive Scholarship may enroll at any approved postsecondary institution (state university, community college, or independent institution). Awards may be used only for tuition and mandatory fees, and they are renewable for up to ten semesters (five academic years).<sup>6</sup> Eligibility ends when a student has earned a bachelor's degree.<sup>7</sup>

Of the \$35.5 million appropriation for this program in FY 2008-09, \$2.9 million is funded with federal funds; the remaining \$32.6 million is funded with GF/GP revenue.

Based on the amount of available funding for the program and number of projected eligible students, MHEAA sets a maximum award amount each year. For FY 2008-09, that amount is \$1,300. The maximum award has been \$1,300 since FY 2001-02; it was \$1,250 in FY 2000-01, and \$1,200 from FY 1985-86 to FY 1999-2000.

<sup>6</sup> Generally, two semesters equates to three terms for semester-based program provisions listed in this report.

<sup>7</sup> The statute governing the program allows for awards to graduate students if additional funds are appropriated for that purpose; such an appropriation has not been made.

MHEAA is also responsible for annually setting the minimum qualifying ACT score for the program. For FY 2008-09, the qualifying score is 90 (the total for four components; equivalent to a composite score of 23). The qualifying ACT score has been 90 since FY 1993-94; it varied between 75 and 88 in previous years.

In FY 2006-07, 29,932 high school students achieved a qualifying ACT score. Of that total, 7,217 students (24.1%) demonstrated financial need and, therefore, received an initial Competitive Scholarship award.

A total of 27,802 students—including those continuing their college enrollment—received Competitive Scholarship awards in FY 2006-07. Those awards totaled \$37.0 million; the average award was \$1,332.

Table 3 shows the postsecondary institutions with the largest amounts of Competitive Scholarship awards received by their students in FY 2006-07. Ten institutions had total award amounts of at least \$1.0 million.

**Table 3**  
**Top Institutions by Total FY 2006-07 Competitive Scholarship Award Amount**

	<u>Institution</u>	<u>Total Amount</u>	<u># of Awards</u>	<u>Average Award</u>
1	Michigan State University	\$4,831,886	4,020	\$1,202
2	University of Michigan - Ann Arbor	\$3,910,714	3,227	\$1,212
3	Grand Valley State University	\$3,454,493	2,916	\$1,185
4	Central Michigan University	\$2,348,967	1,968	\$1,194
5	Western Michigan University	\$1,820,572	1,548	\$1,176
6	Calvin College	\$1,424,399	704	\$2,023
7	Hope College	\$1,333,376	669	\$1,993
8	Michigan Technological University	\$1,164,890	980	\$1,189
9	Ferris State University	\$1,134,767	961	\$1,181
10	Wayne State University	\$1,005,373	887	\$1,133

*Note: Figures include supplemental Competitive Scholarship awards funded from Tuition Grant appropriation pursuant to statute.*

The total amount of awards exceeds the program's appropriation of \$35.5 million, due to the following provision in 1966 PA 313, which governs the Tuition Grant Program.

Sec. 7. A student who receives a state competitive scholarship authorized by Act No. 208 of the Public Acts of 1964, as amended, is not eligible to receive a tuition grant concurrently. However, the state competitive scholarship award of a student enrolled in an independent nonprofit college or university may be increased with funds from the tuition grant program under this act up to the level of the maximum tuition grant award as provided in section 5, if the maximum tuition grant award is greater than the maximum competitive scholarship award in a given year.

Under this language, a student enrolled at an independent institution who receives the maximum Competitive Scholarship award of \$1,300 may also receive a supplemental scholarship award of \$800, for a total award of \$2,100—the current maximum Tuition Grant award. Although the additional \$800 is awarded as a Competitive Scholarship, it is funded from the Tuition Grant line item.

In FY 2006-07, 5,730 students received supplemental awards totaling \$4.3 million; the average supplemental award was \$743.

### ***Tuition Incentive Program***

The Tuition Incentive Program (TIP) was initially established in the FY 1986-87 Higher Education budget act. Since that time, the program's provisions have been renewed each year—with various revisions—in the annual Higher Education budget act. This program does not have a permanent governing statute; it is the only state-funded financial aid program appropriated in the Higher Education budget that is based solely on annual boilerplate language.

Beginning with FY 2000-01, administrative responsibility for the program was transferred from the Family Independence Agency (now the Department of Human Services) to the Department of Treasury.

Historically, TIP has been viewed as an incentive for low-income students to graduate from high school and enroll in college. The program is open to students who certify as Medicaid-eligible for 24 months within a 36-month period between the 6th and 12th grades. Certified students who graduate from high school or earn a General Education Development (GED) certificate prior to age 20 are then eligible for two phases of the program:

▶ **Phase I**

Tuition/fee costs are paid for up to 80 semester credits leading to an associate's degree or certificate.

In-district community college tuition/fees (out-of-district tuition/fees for students residing outside a college district) are paid. For students enrolled in an associate's degree program at a state university, lower division resident tuition/fees are paid. For students enrolled at an independent institution, a tribal community college, or Focus: HOPE, an amount up to the average community college in-district tuition rate is paid.<sup>8</sup>

▶ **Phase II**

Students are eligible for up to \$2,000 toward the costs of pursuing a bachelor's degree. To be eligible for Phase II, a student must either complete 56 semester credits or obtain an associate's degree.

Under Phase II, up to \$500 per semester for four semesters (\$2,000 total) is available for bachelor's degree coursework at a Michigan postsecondary institution. Coursework must be completed within 30 months of the completion of Phase I.

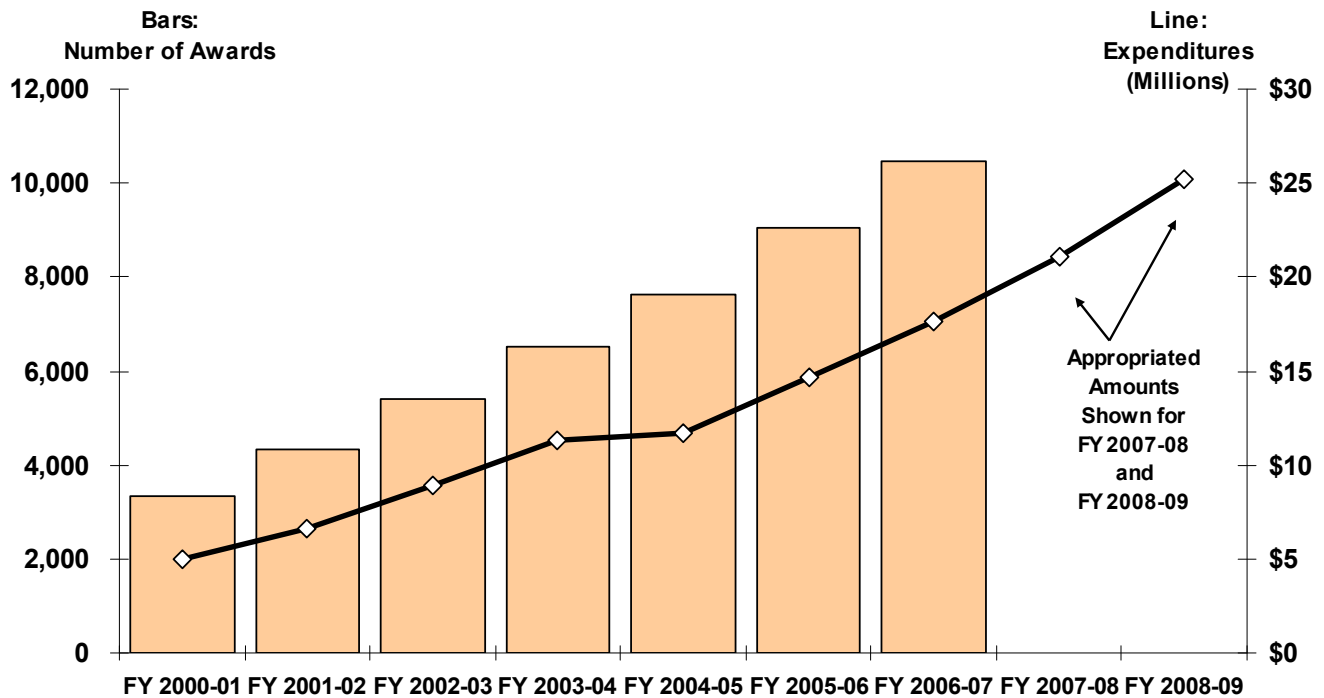
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<sup>8</sup> Focus: HOPE is a civil and human rights organization in Detroit that offers a number of career preparation programs in the areas of information technology, manufacturing, and engineering.

The FY 2008-09 appropriation for the Tuition Incentive Program is \$25.2 million. Funding for the program is appropriated from a combination of Merit Award Trust Fund (\$15.85 million) and GF/GP (\$9.35 million) revenue.

Expenditures for TIP have grown rapidly in the last decade—from \$5.0 million in FY 2000-01 to the appropriated level of \$25.2 million in FY 2008-09. This represents an annualized growth rate of 22.4% per year. Figure 2 shows annual TIP awards and expenditures since FY 2000-01.

**Figure 2  
Tuition Incentive Program History**



Growth in this program has been driven much more by increased participation than by tuition increases:

- ▶ From FY 2000-01 to FY 2006-07, the number of participating students more than tripled—increasing from 3,318 to 10,462.
- ▶ Over the same time period, the average TIP award amount increased by a relatively modest 11.3%—from \$1,512 to \$1,682.

This rapid growth in program participation reflects the large and growing pool of students eligible for the program. The Department of Treasury indicates that roughly 170,000 letters are sent out every six months to Medicaid clients who are deemed eligible to certify as TIP participants; only about 18,000 recipients of those letters respond to certify as TIP-eligible.

Table 4 shows FY 2006-07 TIP expenditures by postsecondary sector and phase. The vast majority of expenditures occurred for students enrolled in Phase I of the program

(associate's degree studies). Of the 10,462 students receiving TIP awards in FY 2006-07, only 862 (8.2%) were enrolled in Phase II of the program.

**Table 4**  
**FY 2006-07 Tuition Incentive Program Statistics**

<b>Sector</b>	<b># of Awards (Both Phases)</b>	<b>Expenditures</b>		
		<b>Phase I</b>	<b>Phase II</b>	<b>Total</b>
State Universities	1,503	\$4,180,969	\$643,446	\$4,824,416
Community Colleges	7,250	9,985,127	0	9,985,127
Independent/Other Institutions	1,709	2,629,596	161,138	2,790,734
<b>TOTAL</b>	<b>10,462</b>	<b>\$16,795,692</b>	<b>\$804,584</b>	<b>\$17,600,277</b>

Over two-thirds (69.3%) of TIP awards and over half (56.7%) of TIP expenditures occurred at community colleges. The largest number of awards (1,277) occurred at Wayne County Community College.

Eligible TIP students may enroll for Phase I at the five state universities that offer associate's degree or certificate programs.<sup>9</sup> The single largest amount of TIP expenditures occurred at Ferris State (\$2.1 million), which offers a large number of associate's degree programs.

***Michigan Work Study Program***

The Michigan Work Study Program was established by 1986 PAs 288 and 303. The first act (PA 288) governs the undergraduate portion of the program; the second (PA 303) governs the graduate portion.

Students at both public and independent degree-granting postsecondary institutions are eligible to participate in the Work Study program. Students must have demonstrated financial need.

According to the Department of Treasury's website,

Michigan Work-Study jobs are usually on-campus, but many colleges have agreements with off-campus employers. Award amount varies, based in part upon need, wage and hours worked. The rate of pay will be at least the current Federal minimum wage.<sup>10</sup>

Financial aid received through the Work Study Program differs from other state-funded financial aid programs, as students must fulfill employment responsibilities to receive the aid. All other state financial aid programs discussed in this report are scholarship/grant programs.

<sup>9</sup> Ferris State, Lake Superior State, Michigan State, Michigan Tech, Northern Michigan.

<sup>10</sup> Source: <[http://www.michigan.gov/documents/mistudentaid/MWSFactSheet\\_242606\\_7.pdf](http://www.michigan.gov/documents/mistudentaid/MWSFactSheet_242606_7.pdf)> .



The Work Study Program is a "campus-based" program. Funding allocations are made to individual colleges and universities based on a three-year average of the number of Pell Grant recipients enrolled at each school. Final awards to students with financial need are then determined by the institutions, subject to statutory requirements.

The FY 2008-09 appropriation of \$7.3 million for the Work Study Program is funded with GF/GP revenue.

In FY 2006-07, 4,824 students received \$6.7 million under the undergraduate portion of the Michigan Work Study Program, and 114 students received \$208,048 under the graduate portion of the program. The average award across the entire program was \$1,403.

### ***Part-Time Independent Student Program***

The Part-Time Independent Student Program was established by 1986 PA 102. The program is also sometimes referred to as the "Adult Part-Time Grant Program."

This program is campus-based. Funding allocations to institutions are based on the number of eligible students at each institution. Criteria for a student to receive an award under this program include the following:

- ▶ Be an independent student based on federal guidelines (as opposed to being a dependent of one's parents).
- ▶ Have demonstrated financial need.
- ▶ Be an undergraduate student who has been out of high school for at least two years.
- ▶ Be enrolled for 3 to 11 credit hours per semester.

Students at all degree-granting postsecondary institutions are eligible to participate in the program. The maximum program award is \$600 per academic year for not more than two years.

The FY 2008-09 appropriation of \$2.7 million for the Part-Time Independent Student Program is funded with GF/GP revenue.

In FY 2006-07, 6,038 students received awards totaling \$2.6 million under the program; the average award was \$437.

### ***Michigan Education Opportunity Grant Program***

The Michigan Education Opportunity Grant (MEOG) Program was established by 1986 PA 273. The program is similar to the federal Supplemental Education Opportunity Grant Program, which is designed to provide additional aid to students with financial need beyond the federal Pell Grant.

The MEOG Program is the only state financial aid program restricted to public colleges and universities.

This program is campus-based. Funds are allocated to state universities and community colleges based on the number of Pell Grant students at each school. The institutions make the final determination of which students with financial need receive awards. Under the program's governing statute, the maximum award amount is \$1,000 per year.

The FY 2008-09 appropriation of \$2.1 million for the MEOG Program is funded with GF/GP revenue.

In FY 2006-07, 4,299 students received awards totaling \$2.1 million under the program; the average award was \$484.

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# NON-NEED-BASED PROGRAMS

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Three of the financial aid programs receiving state-funded appropriations are non-need-based. All three are grant/scholarship programs.

## ***Merit Award and Promise Grant Programs***

The Michigan Merit Award Program was established by 1999 PA 94. The program provided financial aid awards to students achieving qualifying scores on the Michigan Education Assessment Program (MEAP) exam. The Merit Award provided an incentive for high school students to take the MEAP exam, increasing the amount of data available on exam performance across the state. The high school graduating class of 2000 was the first class to receive awards under the act.

Following original enactment of the statute, there were a number of amendments to the act, including changes in payment and appropriation schedules for the award program.

Under the final provisions of the act, awards were made to students achieving qualifying scores on all four components of the Michigan Education Assessment Program (MEAP) examination, or qualifying via two alternate methods (which incorporated the ACT college entrance and job skills assessment exams). There were three types of awards:

- ▶ Awards of \$2,500 to students attending in-state postsecondary institutions; these awards were paid in two installments of \$1,250 each over a student's first two years of postsecondary study.
- ▶ Awards of \$250 to \$500 to students also receiving qualifying scores on the middle school MEAP examination. A student had to receive the \$2,500 award to be eligible for this award; the total award paid over two years could, therefore, be up to \$3,000.
- ▶ Awards of \$1,000 to students attending out-of-state institutions; these awards were paid in a single installment and were not available to students graduating from high school after the 2005-06 academic year.

The Merit Award Program was replaced with the Michigan Promise Grant Program, which was created by 2006 PA 479. The high school graduating class of 2006 was the final class eligible for the Merit Award Program; beginning with the high school graduating class of 2007, students are eligible for the Promise Grant Program.

The Promise Grant Program provides an award of \$4,000 to a student completing two years of postsecondary education, while incorporating an exam-based element similar to the Merit Award. Students receive Promise Grant payments as follows:

- ▶ The exam-based payments continue to exist, with the \$2,500 award amount reduced to \$2,000 (two payments of \$1,000 each). The middle school exam-

based award was eliminated; the out-of-state award had previously been eliminated.

- ▶ Students qualifying for the exam-based payments receive an additional \$2,000 upon completion of two years of postsecondary education—for a total award of \$4,000 during their college careers. Students not qualifying for the exam-based award who go on to complete two years of postsecondary education receive the full \$4,000 payment at that time.

Students must take the state assessment exam—the MEAP exam for the high school class of 2007 and the Michigan Merit Exam (which incorporates the ACT college entrance exam) for subsequent classes—to receive the \$4,000 award. Students qualifying on all required components of the exam are eligible to receive the two front-end payments of \$1,000. Those who do not qualify are still eligible for the \$4,000 back-end payment following completion of two years of postsecondary education.

For the high school graduating class of 2007, 54,182 students achieved scores on the MEAP exam that qualified them for the front-end payments. This equates to 45.3% of the 119,396 high school seniors who took the MEAP exam in that year. (Not all students who qualify subsequently enroll in college and claim the award.)

To receive the back-end payment of either \$2,000 or \$4,000, a student must complete an associate's degree, two-year certificate, or 50% of the academic requirements for a bachelor's degree (60 credit hours). Students completing vocational training programs of less than two years are eligible for prorated awards. A student must have a cumulative college grade point average of 2.50 to receive the award.

The back-end payments are fairly unique relative to other financial aid payments, as the funds do not necessarily have to be expended for college-related costs.

The back-end payments will be made by the state to the postsecondary institution designated by a student following completion of two years of postsecondary study.

- ▶ If a student is continuing studies at that institution, the payment will presumably be credited to the student's account for costs of the third year of study.
- ▶ If the student is not continuing studies at the institution (due to completion of an associate's degree, for example), the payment is to be forwarded by the institution to the student, who can then spend the funds as he or she sees fit.

In the FY 2008-09 Higher Education budget, an appropriation of \$5.2 million is included for Merit Award payments to students who graduated from high school prior to the 2006-07 academic year but delayed college enrollment. An appropriation of \$90.5 million is included for exam-based award payments under the Promise Grant Program to students graduating from high school in the 2006-07 and 2007-08 academic years.

The reduction in the exam-based award from up to \$2,500 under the Merit Award Program (ignoring the middle school component) to \$2,000 under the Promise Grant Program created modest state budget savings in FYs 2007-08 and 2008-09. In FY 2006-07, the final appropriation for the Merit Award Program was \$117.7 million.

Back-end Promise Grant payments to students completing two years of postsecondary education will begin in FY 2009-10. (A traditional student graduating from high school in 2007 would complete two years of college in the spring of 2009 and receive the payment in the fall of 2009.) Preliminary estimates indicate those payments will require an appropriation increase of \$50 million to \$60 million.

Eventually, costs of the Promise Grant Program could be roughly \$100 million higher than the FY 2008-09 appropriation, when the costs of those awards are fully phased in.

Since the Merit Award Program was first created, annual appropriations for the Merit Award and Promise Grant Programs have been made from the Merit Award Trust Fund. If this arrangement continues, the projected Promise Grant cost increase beginning in FY 2009-10 will place pressure on other budget items funded from the trust fund—the largest of which is Medicaid base funding.

In FY 2006-07, which was the final year payments were made under just the Merit Award Program, award payments totaled \$112.1 million to 79,795 students (for an average of \$1,405). Those payments were distributed across the postsecondary sectors as follows:

- ▶ \$66.9 million to 47,273 students attending state universities.
- ▶ \$30.0 million to 21,680 students attending community colleges.
- ▶ \$14.3 million to 10,163 students attending independent colleges and universities.
- ▶ \$934,510 to 679 students attending proprietary schools.

Proprietary schools are licensed institutions that provide training in various occupational fields (cosmetology, massage, pet grooming, etc.). The Merit Award Program was unique among the state financial aid programs in the inclusion of proprietary schools as eligible postsecondary institutions. Under the Promise Grant Program, a proprietary school must be accredited, which substantially reduces the number of eligible schools.

Exam-based payments under the Promise Grant Program will likely be distributed across the postsecondary sectors much as Merit Award payments have been (accounting for the reduced exam-based payment amount). It remains to be seen what proportions of students in each sector will meet the requirements for the back-end payments.

Table 5 shows the postsecondary institutions with the largest amounts of Merit Award funding received by their students in FY 2006-07. Twenty-eight institutions had total award amounts of at least \$1.0 million.

**Table 5  
Top Institutions by Total FY 2006-07 Merit Award Amount**

	<u>Institution</u>	<u>Total Amount</u>	<u># of Awards</u>	<u>Average Award</u>
1	Michigan State University	\$15,730,127	11,044	\$1,424
2	University of Michigan - Ann Arbor	\$9,496,988	6,582	\$1,443
3	Grand Valley State University	\$8,181,373	5,735	\$1,427
4	Central Michigan University	\$6,784,329	4,811	\$1,410
5	Western Michigan University	\$5,815,095	4,082	\$1,425
6	Grand Rapids Community College	\$3,733,742	2,669	\$1,399
7	Oakland University	\$3,261,807	2,393	\$1,363
8	Wayne State University	\$2,848,419	2,058	\$1,384
9	Ferris State University	\$2,846,623	2,016	\$1,412
10	Lansing Community College	\$2,761,167	1,983	\$1,392
11	Eastern Michigan University	\$2,622,896	1,936	\$1,355
12	Macomb Community College	\$2,528,263	1,982	\$1,276
13	Saginaw Valley State University	\$2,173,606	1,556	\$1,397
14	Delta College	\$2,074,237	1,478	\$1,403
15	Michigan Technological University	\$2,033,939	1,418	\$1,434
16	Northern Michigan University	\$1,867,076	1,366	\$1,367
17	Baker College (multiple campuses)	\$1,845,826	1,322	\$1,396
18	Kalamazoo Valley Community College	\$1,845,577	1,331	\$1,387
19	University of Michigan - Dearborn	\$1,596,801	1,138	\$1,403
20	Mott Community College	\$1,456,173	1,035	\$1,407
21	Oakland Community College	\$1,433,471	1,045	\$1,372
22	Schoolcraft College	\$1,414,430	1,021	\$1,385
23	Hope College	\$1,278,137	904	\$1,414
24	Calvin College	\$1,246,466	873	\$1,428
25	Muskegon Community College	\$1,182,197	850	\$1,391
26	St. Clair County Community College	\$1,122,555	797	\$1,408
27	Albion College	\$1,104,227	775	\$1,425
28	Washtenaw Community College	\$1,092,828	789	\$1,385

***Nursing Scholarship Program***

The Nursing Scholarship Program was established by 2002 PA 591. To be eligible for a Nursing Scholarship award, a student must be enrolled in a program leading to a Licensed Practical Nurse (LPN) certification, Associate's Degree in Nursing (ADN), Bachelor's of Science in Nursing (BSN), or Master's of Science in Nursing (MSN).

The maximum award amount under the program is \$4,000 per year for up to four academic years. Funding allocations are made annually to postsecondary institutions in the state with nursing programs, based on the number of nursing students enrolled at each school. The institutions make the final award determinations. There is no statutorily-

specified need-based criterion for receiving an award, although institutions may choose to use financial need as a factor in making final awards.

In FY 2006-07, a total of 50 postsecondary institutions operated nursing programs and were therefore eligible to receive funding allocations and make awards:

- ▶ All 28 community colleges.
- ▶ 12 of the 15 state universities (all but Central Michigan, Michigan Tech, and UM-Dearborn).
- ▶ 10 independent institutions (with Davenport University and the University of Detroit Mercy making the largest number of awards).

Students receiving Nursing Scholarships must agree to work as a direct patient care nurse or a teacher of nursing in Michigan—one year for each year of scholarship assistance. If a scholarship recipients fails to meet the specified work requirements, the scholarship becomes a loan that must be repaid to the state.

To date, out of over 4,000 students receiving scholarships, 988 scholarship recipients have failed to meet the work requirements. Funds repaid to the state by those individuals are used to make additional scholarship awards.

The FY 2008-09 appropriation of \$4.25 million for the Nursing Scholarship Program is funded with Merit Award Trust Fund revenue.

In FY 2006-07, 1,483 students received Nursing Scholarship awards totaling \$4.3 million; the average award was \$2,869.

In recent years, the line item for this program has been renamed "Nursing scholarship and grant programs," to account for the possibility of making grant awards directly to institutions—rather than students—in order to expand nursing programs. Such grant awards have not been made through the Higher Education budget to date, although similar grants have been funded through the Michigan Nursing Corps Program in the budget for the Department of Labor and Economic Growth, beginning in FY 2007-08.

### ***Children of Veterans Tuition Grant Program***

The Children of Veterans Tuition Grant Program was established by 2005 PA 248. This program replaced a similar program that had been governed by 1935 PA 245; that program had been administered by the Department of Military and Veterans Affairs and funded from the Michigan Veterans Trust Fund. With establishment of the new program, administrative responsibility was transferred to the Department of Treasury, and funding for the program was moved to the Higher Education budget.<sup>11</sup>

To be eligible for a grant under the program, a student must be the child of a Michigan military veteran meeting certain state residency requirements who has been killed in action while serving in a war, has died or become totally and permanently disabled as a result of

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<sup>11</sup> For additional information on the history of the previous program, see pages 29-32 of the November 2000 House Fiscal Agency publication "Michigan's Veterans Programs."

a service-connected illness or injury, or has been listed as missing in action in a foreign country.

Eligible students can receive a maximum award of \$2,800 per academic year for up to four years. Students must be between the ages of 16 and 26, attend a degree-granting college or university in the state, and maintain a cumulative grade point average of 2.25 to remain eligible for the program.

The FY 2008-09 appropriation of \$1.0 million for the program is funded with a combination of \$700,000 in GF/GP revenue and \$300,000 in income tax check-off revenue.

Under section 437 of the state Income Tax Act of 1967, taxpayers may designate a contribution of \$2.00 or more toward this program on their annual income tax form. This contribution is above and beyond a taxpayer's income tax liability. In FY 2007-08, approximately \$250,000 has been received by the state through the check-off.<sup>12</sup>

In FY 2006-07, a total of 357 students received awards totaling \$838,255 under the Children of Veterans Tuition Grant Program; the average award was \$2,348.

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<sup>12</sup> Income tax check-offs also exist for the Children's Trust Fund and the Military Family Relief Fund.



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# AWARD AMOUNTS BY SECTOR

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State-funded financial aid programs benefit students across all three major postsecondary sectors. Figure 3 shows the percentage of funds received by students in each postsecondary sector for all state-funded financial aid programs in FY 2006-07. Financial aid expenditures were distributed fairly evenly across the three sectors of degree-granting institutions, with each sector accounting for at least 20% of expenditures.

**Figure 3**  
**FY 2006-07 State Financial Aid Expenditures by Postsecondary Sector**

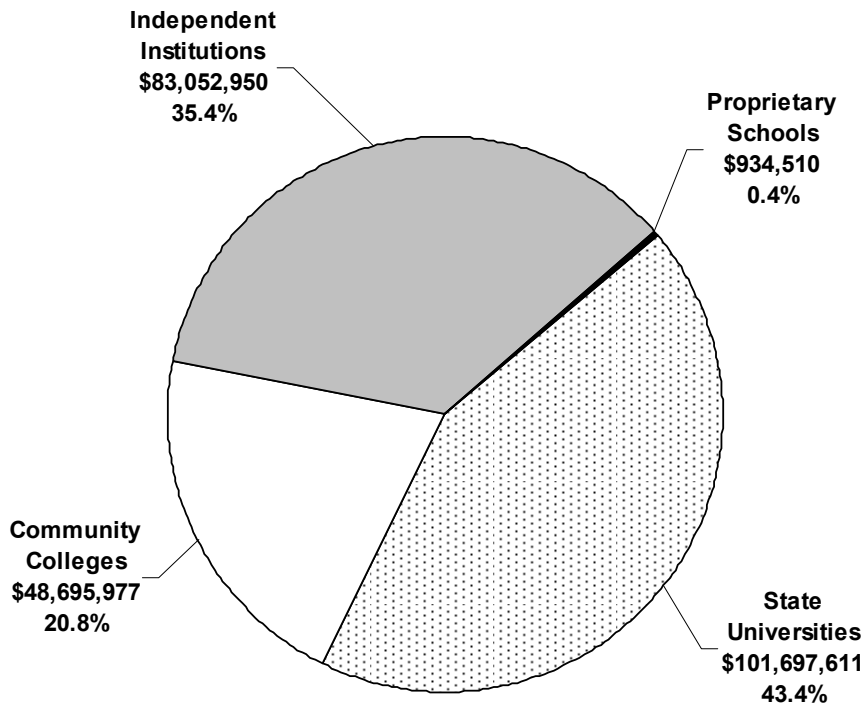


Table 6 provides more detailed information on financial aid expenditures by postsecondary sector. The major contributors to each sector's share of expenditures are as follows:

- ▶ Students at state universities received 59.7% of funds awarded through the Merit Award Program and 64.0% of funds awarded through the State Competitive Scholarship Program. Both of these programs have an exam-based requirement.
- ▶ Students at community colleges received 56.7% of funds awarded through the Tuition Incentive Program. The community colleges sector also received the largest share of funds under the Nursing Scholarship, Part-Time Independent Student, and Michigan Education Opportunity Grant Programs.

- ▶ Students at independent institutions received the full amount of expenditures under the Tuition Grant Program, consistent with the program's statutory requirements.
- ▶ Students at proprietary schools received a relatively small amount of funds through the Merit Award Program (0.8% of total program expenditures).

**Table 6**  
**State Financial Aid Expenditures by Sector: FY 2006-07**

<u>Program</u>	<u>State Universities</u>	<u>Community Colleges</u>	<u>Independent Institutions</u>	<u>Proprietary Schools</u>	<u>Total</u>
Michigan Merit Award Program	\$66,874,214	\$29,954,560	\$14,336,089	\$934,510	\$112,099,372
Tuition Grant Program	0	0	50,961,457	0	50,961,457
State Competitive Scholarship Program	23,684,127	1,813,572	11,519,795	0	37,017,494
Tuition Incentive Program	4,824,416	9,985,127	2,790,734	0	17,600,277
Michigan Work-Study Program	2,879,714	2,077,904	1,932,100	0	6,889,719
Nursing Scholarship Program	1,558,382	2,163,546	531,832	0	4,253,760
Part-Time Independent Student Program	463,350	1,297,250	879,554	0	2,640,154
Michigan Education Opportunity Grant Program	1,023,030	1,057,530	0	0	2,080,560
Children of Veterans Tuition Grant Program	390,379	346,488	101,389	0	838,255
<b>TOTAL</b>	<b>\$101,697,611</b>	<b>\$48,695,977</b>	<b>\$83,052,950</b>	<b>\$934,510</b>	<b>\$234,381,048</b>

*Notes:*

(1) Includes federal funds utilized for State Competitive Scholarship program; excludes other federal funds.

(2) Community Colleges include Bay Mills Community College (a tribal college).

To some extent, the amount of state financial aid funding received by students in each sector is driven by state policy (the Tuition Grant Program being the prime example). Given that the majority of the aid programs allow students to attend any degree-granting institution in the state, however, the distribution of funds by sector also reflects the choices made by eligible students regarding where they enroll for postsecondary studies.

# CHANGES IN FINANCIAL AID FUNDING

Table 7 shows changes in appropriations for state financial aid programs from FY 1998-99 to FY 2008-09. Over that time period, total appropriations for state financial aid programs increased by 118.8%—from \$105.3 million to \$230.4 million. In comparison:

- ▶ State appropriations to state universities increased by 3.1%.
- ▶ State appropriations to community colleges increased by 5.3%.

**Table 7**  
**State Financial Aid Funding: FY 2008-09 vs. FY 1998-99**

<u>Program</u>	<u>FY 1998-99 Enacted</u>	<u>FY 2008-09 Enacted</u>	<u>Change from FY 1998-99 to FY 2008-09</u>	
<b><u>Need-Based</u></b>				
Tuition Grant Program	\$59,121,069	\$56,668,100	(\$2,452,969)	(4.1%)
State Competitive Scholarship Program	32,405,046	35,530,500	3,125,454	9.6%
Tuition Incentive Program	1,750,000	25,200,000	23,450,000	1,340.0%
Michigan Work Study Program	7,300,472	7,326,300	25,828	0.4%
Part-Time Independent Student Program	2,643,953	2,653,300	9,347	0.4%
Michigan Education Opportunity Grant Program	2,076,797	2,084,200	7,403	0.4%
<b>Subtotal</b>	<b>\$105,297,337</b>	<b>\$129,462,400</b>	<b>\$24,165,063</b>	<b>22.9%</b>
<b><u>Non-Need-Based</u></b>				
Promise Grant/Merit Award Programs	\$0	\$95,700,000	\$95,700,000	
Nursing Scholarship Program	0	4,250,000	4,250,000	
Children of Veterans Tuition Grant Program	0	1,000,000	1,000,000	
<b>Subtotal</b>	<b>\$0</b>	<b>\$100,950,000</b>	<b>\$100,950,000</b>	
<b>TOTAL</b>	<b>\$105,297,337</b>	<b>\$230,412,400</b>	<b>\$125,115,063</b>	<b>118.8%</b>
<b><u>Funding Sources</u></b>				
Federal Funds: Competitive Scholarships	\$2,300,000	\$2,900,000	\$600,000	26.1%
Restricted Funds: Children of Veterans	0	300,000	300,000	
Merit Award Trust Fund	0	115,800,000	115,800,000	
General Fund/General Purpose	102,997,337	111,412,400	8,415,063	8.2%
<b>TOTAL FUNDING SOURCES</b>	<b>\$105,297,337</b>	<b>\$230,412,400</b>	<b>\$125,115,063</b>	

*Note: FY 1998-99 figures exclude \$10.7 million appropriated for direct payments to independent institutions under Dental Degree, General Degree, and Allied Health Degree Reimbursement Programs.*

In terms of overall higher education-related funding, the percentage of funding allocated to student financial aid relative to direct payments to colleges and universities (and other smaller appropriation items) has doubled over the last decade—from 5.5% to 11.0%.<sup>13</sup>

The increase in overall state financial aid funding has occurred largely in non-need-based programs. In FY 1998-99, all state financial aid programs in the Higher Education budget were need-based. Since then, the Merit Award Program was created and subsequently replaced by the Promise Grant Program. These two programs account for \$95.7 million of the overall \$125.1 million increase in state financial aid appropriations. Smaller increases resulted from creation of the Nursing Scholarship Program and transfer of the Children of Veterans Tuition Program into the Higher Education budget, resulting in a total increase of \$101.0 million for the three non-need-based programs.

Among need-based programs, the only substantial funding increase has been for the Tuition Incentive Program (TIP). The appropriation for TIP grew from \$1.8 million in FY 1998-99 to \$25.2 million in FY 2008-09. Appropriations for the other need-based programs have been roughly flat over the last decade. In sum, appropriations for need-based programs grew by \$24.2 million (22.9%).

The bulk of the increase in state financial aid appropriations has been funded by the Merit Award Trust Fund, which was created in 1999 to receive a portion of the state's annual tobacco settlement revenue payments. Revenue of \$115.8 million is utilized to fund the Promise Grant, Merit Award, and Nursing Scholarship Programs, and part of the appropriation for the Tuition Incentive Program. Appropriations for state financial aid programs from GF/GP revenue have grown by just \$8.4 million (8.2%) over the last decade.

Assuming that no reductions are made to existing financial aid appropriation amounts, total state financial aid funding will increase further in FY 2009-10, as costs for Promise Grant payments to students completing two years of postsecondary education begin to be incurred (a preliminary estimate indicates a \$50 million to \$60 million cost increase in FY 2009-10).

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<sup>13</sup> This percentage is based on total state funds appropriated in the initial Higher Education and Community Colleges budget acts for FYs 1998-99 and 2008-09.

# COMPARISONS WITH OTHER STATES

All 50 states appropriate at least some financial resources for student financial aid programs. The amount of funds and the types of programs for which funds are appropriated, however, vary considerably. This section provides comparative data on three measures related to state financial aid funding. The data, excerpted from data compiled and reported annually by the National Association of State Student Grant and Aid Programs (NASSGAP), are collected for all 50 states, Washington, D.C., and Puerto Rico.

To conserve space, the tables below include data only for the following:

- ▶ Michigan.
- ▶ The national average.
- ▶ The four neighboring states of Illinois, Indiana, Ohio, and Wisconsin.
- ▶ The five highest- and lowest-ranked states.

Table 8 shows the amount of grant aid provided per undergraduate student, by state, in FY 2006-07. Michigan, at \$501 per student, ranked 22nd in the nation.<sup>14</sup> That figure is 18.2% lower than the national average of \$613 per student. Four of the five top-ranked states in grant funds per student are states that have created large merit-based aid programs over the last decade.

**Table 8**  
**Estimated Undergraduate Grant Aid per Full-Time Equated Undergraduate Student: FY 2006-07**

<u>Rank</u>	<u>State</u>	<u>Grant Funds Per Student</u>
1	South Carolina	\$1,788
2	Georgia	\$1,563
3	Kentucky	\$1,098
4	New York	\$1,076
5	Tennessee	\$1,056
11	Illinois	\$854
13	Indiana	\$769
<b>National Average .....</b>		<b>\$613</b>
	Ohio	\$577
<b>22</b>	<b>Michigan</b>	<b>\$501</b>
27	Wisconsin	\$402
48	Alabama	\$50
49	Arizona	\$37
50	Alaska	\$33
51	Hawaii	\$10
52	Wyoming	\$7

*Source: NASSGAP*

<sup>14</sup> This figure would exclude the Michigan Work Study Program as well as the small amount of state financial aid funding provided to graduate students in Michigan (approximately 2.0% of the total).

**Table 9**  
**Percentage of Undergraduate Student Aid With a Need-Based Component: FY 2006-07**

<u>Rank</u>	<u>State</u>	<u>Need-Based</u>
1	California	100.0%
1	Connecticut	100.0%
1	Hawaii	100.0%
1	Montana	100.0%
1	Puerto Rico	100.0%
1	Rhode Island	100.0%
1	Wyoming	100.0%
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13	Wisconsin	96.0%
14	Illinois	93.3%
20	Indiana	87.0%
27	Ohio	69.4%
<b>National Average .....</b>		<b>63.0%</b>
<b>33</b>	<b>Michigan</b>	<b>47.1%</b>
<hr/>		
48	Mississippi	9.0%
49	Louisiana	1.2%
50	Alaska	0.9%
51	Georgia	0.3%
52	South Dakota	0.0%

*Source: NASSGAP*

**Table 10**  
**Ten-Year Percentage Change in Total Grant Aid: FYs 1996-97 to 2006-07**

<u>Rank</u>	<u>State</u>	<u>10-Year Change</u>
1	Mississippi	3,581.7%
2	Washington, D.C.	3,243.2%
3	Montana	1,353.3%
4	South Carolina	1,168.7%
5	Tennessee	1,109.9%
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18	Indiana	319.2%
<b>National Average .....</b>		<b>147.3%</b>
<b>27</b>	<b>Michigan</b>	<b>131.1%</b>
34	Ohio	98.4%
41	Wisconsin	63.6%
44	Illinois	49.4%
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48	Alabama	23.4%
49	Hawaii	7.7%
50	Wyoming	1.7%
51	North Dakota	(8.8%)
52	Alaska	(65.8%)

*Source: NASSGAP*

Table 9 shows the percentage of undergraduate student aid funding awarded at least partially based on financial need, by state, in FY 2006-07. Michigan ranked 33rd in the nation in this measure at 47.1%.<sup>15</sup> Nationally, about two-thirds (63.0%) of undergraduate aid was awarded based on financial need. The percentages vary considerably across the states, with several states providing all aid based on need and other states awarding almost all aid based on academic merit or other criteria.

Table 10 shows the most recent 10-year percentage change in grant aid by state. Michigan ranked 27th in this measure, as its grant aid grew by 131.1% from FY 1996-97 to FY 2006-07—slightly below the national average of 147.3%. Most states increased their grant aid by at least an inflationary level over the 10-year period (28.5% based on the U.S. Consumer Price Index). Some states that provided very little in grant aid in FY 1996-97 have seen dramatic percentage increases as they have adopted new financial aid programs.

With the anticipated funding increase for back-end Promise Grant payments in FY 2009-10—and assuming no reductions in any existing financial aid programs—Michigan's positions on each of these measures can be expected to change as follows:

- ▶ The amount of aid provided per undergraduate student will increase—perhaps by enough to slightly exceed the national average in FY 2009-10.
- ▶ The percentage of aid provided based on financial need will fall further below the national average.
- ▶ The growth rate in state financial aid funding since FY 1996-97 will show a further increase. (Fiscal year 1999-2000 was the first year for which the Merit Award Program was in effect, however, so the increase for the 10-year period ending with FY 2009-10 will be smaller.)

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<sup>15</sup> This figure is lower than the FY 2008-09 percentage of 56.2% shown in Table 1, largely due to the increase in TIP expenditures from FY 2006-07 to FY 2008-09 and the short-term decline in Merit Award/Promise Grant expenditures over the same time period.





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# CONCLUSION

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Although the funds appropriated by the State of Michigan for student financial aid represent a substantial allocation of financial resources, those funds are only a small portion of the funds paid by, or on behalf of, students to attend postsecondary institutions in Michigan each year.

Table 11 shows the amount of tuition revenue paid by undergraduate students at the state's 15 public universities in FY 2006-07 and the amount of grant aid received by those students from various sources. (This level of detail is not available for students attending community colleges or independent institutions.)

**Table 11**  
**Tuition/Fees Paid and Grant Aid Received by**  
**Undergraduate Students at Michigan Public Universities: FY 2006-07**

<b>General Fund Tuition/Fees</b>	<b>\$1,900,030,425</b>		
<b>Grant Aid by Source</b>	<b>Amount</b>	<b>As % of Tuition/Fees</b>	<b>As % of Total Grant Aid</b>
Federal	\$160,051,745	8.4	25.2
State	102,753,602	5.4	16.2
Institutional General Fund	232,666,498	12.2	36.7
Institutional Restricted	69,149,151	3.6	10.9
Private/Other	69,477,715	3.7	11.0
<b>TOTAL</b>	<b>\$634,098,711</b>	<b>33.4</b>	<b>100.0</b>

*Notes:*

(1) Grant aid figures reflect only aid received by a student that is recorded on the university's financial system.

(2) Figures include tuition paid and grant aid received by both resident and nonresident students. Accurate data just for students meeting state financial aid residency requirements are not available.

*Source: Higher Education Institutional Data Inventory (HEIDI)*

State-funded grant aid totaling \$102.7 million accounted for 5.4% of the total tuition/fees paid by undergraduate students at public universities in FY 2006-07.<sup>16</sup> The total amount of grant aid provided by the state was about two-thirds of the total provided by the federal government (which consists mainly of need-based Pell Grants), and it was less than half of the amount

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<sup>16</sup> This figure exceeds the \$98.8 million in state grand aid received by students at state universities shown in Table 6. This is likely the result of a small amount of aid received by students through state programs appropriated outside the Higher Education budget.

offset by aid provided from the universities' general funds (which are effectively tuition discounts).

Utilizing current resources, state-funded financial aid can only target certain categories of students to achieve limited objectives. Based on current policies and funding amounts, the major categories of students that currently receive aid through Michigan's state financial aid programs are as follows:

- ▶ Students performing well on the ACT college entrance exam (State Competitive Scholarships and front-end Program Grant payments).
- ▶ Students with financial need attending independent colleges and universities (Tuition Grant Program).
- ▶ Low-income students enrolling in associate's degree programs (Tuition Incentive Program).

Beginning in FY 2009-10, a fourth major category will be added: students completing two years of postsecondary education (back-end Promise Grant payments).

The most significant change in state financial aid funding over the past decade has been creation of the Merit Award Program—which is now being replaced by the Promise Grant Program. This has created a new pool of resources for students showing academic aptitude in high school through exam performance and, starting in FY 2009-10, students who complete two years of postsecondary education.

Future policy and budget decisions made by the Legislature will continue to impact the way state financial aid funding is allocated to assist students pursuing postsecondary education.



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