

## MEMORANDUM



**DATE:** March 1, 2012  
**TO:** House Appropriations Subcommittee on Higher Education  
**FROM:** Kyle I. Jen, Deputy Director  
**RE:** Tuition Grant Program

### **Background Information**

The Tuition Grant Program is a state financial aid program established by Public Act (PA) 313 of 1966. Under the provisions of the statute, Tuition Grant awards are restricted to Michigan residents with financial need who enroll at an independent, degree-granting, nonprofit postsecondary institution in Michigan. Students apply for the grant by submitting the Free Application for Federal Student Aid (FAFSA). Information submitted through the FAFSA is utilized to determine whether financial need exists.

The Tuition Grant can be applied only to tuition and mandatory fees. Students may receive an award for up to 10 semesters of undergraduate study. The maximum award amount is determined annually by the Michigan Higher Education Assistance Authority based on available state funding and the projected number of eligible students. For FY 2011-12, the maximum award amount is \$1,512.

Section 7 of PA 313 of 1996 provides that a student receiving a State Competitive Scholarship cannot receive a Tuition Grant concurrently. Requirements for receipt of a State Competitive Scholarship, which can be claimed at both public and independent colleges or universities, include both a qualifying ACT score and demonstrated financial need. The statute provides that a student receiving a Competitive Scholarship may have his or her award increased up to the maximum Tuition Grant award amount using funds appropriated for the Tuition Grant Program.

For FY 2011-12, the maximum State Competitive Scholarship award amount is \$575, so a student receiving a Competitive Scholarship and also enrolling at an independent college or university in Michigan could receive an additional \$937, to get to the maximum Tuition Grant award amount of \$1,512. The supplemental amount is awarded as part of the student's Competitive Scholarship, but is funded from the Tuition Grant line item.

### **Tuition Grant Appropriation and Expenditures**

The FY 2011-12 appropriation for the Tuition Grant Program is \$31.7 million. This appropriation is currently funded from federal Temporary Assistance to Needy Families (TANF) revenue as part of an ongoing arrangement to meet federal TANF maintenance-of-effort (MOE) requirements. Historically, the appropriation has been funded from state GF/GP revenue; that revenue has been shifted to the Human Services budget as part of the MOE arrangement.

A large reduction was made to the appropriation for the Tuition Grant Program, along with the appropriations for most other state funded-financial aid programs, in FY 2009-10.<sup>1</sup> In FY 2008-09, the appropriation for the program had been \$56.8 million, with a maximum award amount of \$2,100. As part of the reduction implemented for FY 2009-10, two policy changes were made. First, awards to

<sup>1</sup> Total appropriations for state financial aid programs were reduced by 63.9% from FY 2008-09 to FY 2009-10: <http://www.house.mi.gov/hfa/PDFs/hied%20financial%20aid%20memo%2012-09.pdf>.

graduate students were eliminated. Second, a cap of \$3.0 million was instituted for awards to students at any single institution. This change affected students at Baker College and Davenport University; students at those institutions had received a total of \$27.7 million in awards in FY 2008-09. The amount of Tuition Grant funding at those two institutions (which each have multiple campuses in Michigan), then, has been dramatically reduced. At Baker College, this has been implemented by reducing the number of award recipients; at Davenport, award amounts have been reduced.

An attached table shows the number of awards made and amount of funds paid to students from the Tuition Grant line item in FY 2010-11 by institution. A total of \$25.2 million in standard Tuition Grant awards were made to 22,269 students at 32 institutions. An additional \$5.4 million in supplemental awards were made to roughly 6,600 State Competitive Scholarship recipients at those institutions. In sum, \$30.6 million was awarded to approximately 29,000 students at independent colleges and universities from the Tuition Grant line item. (Approximately \$1.1 million of the original \$31.7 million appropriation lapsed at the close of the fiscal year.)

### **Proposed Changes in the Executive Budget**

The Executive Budget for FY 2012-13 proposes several changes related to the Tuition Grant Program:

#### **Appropriation Amount**

The Executive Budget would reduce the appropriation for the program by \$1.0 million, to \$30.7 million. Associated budget language would provide for the maximum award amount to be maintained at \$1,512. These funds, along with \$1.0 million removed from the Tuition Incentive Program line item, would be shifted to the State Competitive Scholarship line item, in order to maintain that program's maximum award amount at \$575. In recent years, the number of individuals eligible for Competitive Scholarship awards has been increasing (8.5% growth in FY 2010-11), while the number of individuals eligible for Tuition Grant awards has been decreasing (3.8% decline in FY 2010-11, including supplemental awards).

#### **Application Deadline**

The Executive Budget would move the application deadline for the program from July 1 to March 1, beginning in FY 2013-14. The new deadline would be consistent with the deadline for the State Competitive Scholarship Program (which is determined administratively).

#### **Carry Forward Provisions**

The Executive Budget would eliminate existing budget language that provides for unexpended funds appropriated for the Tuition Grant Program to be carried forward to the subsequent budget year. This provision has been adhered to in some, but not all, years in which unexpended GF/GP funds have remained at the end of the year, as the carry forward of unexpended funds is subject to the statutory work project process. Carrying forward TANF funds may be problematic due to federal restrictions.

#### **Performance Reporting**

The Executive Budget would add performance reporting requirements that an independent institution would have to comply with in order for the institution's students to participate in the Tuition Grant Program. First, institutions would be required to participate in the state's P-20 longitudinal data system. This system, which currently incorporates K-12 school districts, community colleges, and public universities, will eventually allow the state to more accurately track student completion rates, accounting for transfers between multiple institutions, as well as determine postsecondary academic performance for students graduating from a particular high school or transferring from a particular community college.

Second, institutions would be required to report annually on the following metrics:

- The number of students in the previous academic year who received a Tuition Grant and successfully completed a program or graduated.
- The number of students in the previous academic year who received a Tuition Grant and took remedial education classes.
- The number of students in the previous academic year who received a federal Pell Grant (also need-based) and successfully completed a program or graduated.

Please call if you have any questions about this information.

Attachment

**Tuition Grant Program**  
FY 2010-11 Data

| Institution                   | Standard Tuition Grant Awards |                     |                | Supplemental Competitive Scholarship Awards |                    |              | Total \$ Amount     |
|-------------------------------|-------------------------------|---------------------|----------------|---|--------------------|--------------|---------------------|
|                               | Number                        | \$ Amount           | Avg Award      | *Number                                     | \$ Amount          | Avg Award    |                     |
| Adrian College                | 609                           | \$867,010           | \$1,424        | 296   | \$261,207          | \$882        | \$1,128,217         |
| Albion College                | 359                           | 519,904             | 1,448          | 471   | 405,051            | 860          | 924,955             |
| Alma College                  | 460                           | 657,479             | 1,429          | 452   | 396,496            | 877          | 1,053,975           |
| Andrews University            | 193                           | 263,033             | 1,363          | 25  | 21,321             | 853          | 284,354             |
| Aquinas College               | 833                           | 1,114,460           | 1,338          | 388   | 329,260            | 849          | 1,443,720           |
| Baker College                 | 1,938                         | 2,627,755           | 1,356          | 515   | 352,815            | 685          | 2,980,570           |
| Calvin College                | 486                           | 678,402             | 1,396          | 747   | 652,521            | 874          | 1,330,923           |
| Cleary University             | 268                           | 257,997             | 963            | 3   | 2,180              | 727          | 260,177             |
| College for Creative Studies  | 573                           | 748,300             | 1,306          | 113   | 94,191             | 834          | 842,491             |
| Concordia University          | 134                           | 185,399             | 1,384          | 36  | 32,376             | 899          | 217,775             |
| Cornerstone University        | 805                           | 1,005,123           | 1,249          | 224   | 189,779            | 847          | 1,194,902           |
| Davenport University          | 4,802                         | 2,886,821           | 601            | 344   | 98,997             | 288          | 2,985,818           |
| Finlandia University          | 382                           | 511,520             | 1,339          | 55  | 46,281             | 841          | 557,801             |
| Grace Bible College           | 99                            | 131,178             | 1,325          | 25  | 21,132             | 845          | 152,310             |
| Great Lakes Christian College | 112                           | 147,420             | 1,316          | 12  | 10,299             | 858          | 157,719             |
| Hope College                  | 472                           | 666,934             | 1,413          | 748   | 651,130            | 870          | 1,318,064           |
| Kalamazoo College             | 123                           | 179,817             | 1,462          | 310   | 268,998            | 868          | 448,815             |
| Kettering University          | 313                           | 423,586             | 1,353          | 374   | 315,847            | 845          | 739,433             |
| Kuyper College                | 153                           | 201,538             | 1,317          | 69  | 59,929             | 869          | 261,467             |
| Lawrence Tech University      | 740                           | 884,039             | 1,195          | 252   | 209,228            | 830          | 1,093,267           |
| Madonna University            | 1,392                         | 1,548,089           | 1,112          | 98  | 75,811             | 774          | 1,623,900           |
| Marygrove College             | 643                           | 799,848             | 1,244          | 5   | 4,560              | 912          | 804,408             |
| Michigan Jewish Institute     | 13                            | 19,278              | 1,483          | 1   | 912                | 912          | 20,190              |
| Northwood University          | 1,157                         | 1,493,041           | 1,290          | 206   | 170,830            | 829          | 1,663,871           |
| Olivet College                | 756                           | 1,045,428           | 1,383          | 89  | 76,559             | 860          | 1,121,987           |
| Robert B. Miller College      | 143                           | 133,567             | 934            | 0   | 0                  | --           | 133,567             |
| Rochester College             | 383                           | 496,985             | 1,298          | 34  | 28,298             | 832          | 525,283             |
| Sacred Heart Major Seminary   | 17                            | 23,814              | 1,401          | 0   | 0                  | --           | 23,814              |
| Siena Heights University      | 923                           | 1,070,849           | 1,160          | 99  | 81,159             | 820          | 1,152,008           |
| Spring Arbor University       | 1,487                         | 1,802,190           | 1,212          | 299   | 257,286            | 860          | 2,059,476           |
| University of Detroit Mercy   | 1,160                         | 1,496,940           | 1,290          | 337   | 289,953            | 860          | 1,786,893           |
| Walsh College                 | 341                           | 263,355             | 772            | 13  | 3,680              | 283          | 267,035             |
| <b>TOTAL</b>                  | <b>22,269</b>                 | <b>\$25,151,099</b> | <b>\$1,129</b> | <b>6,640</b>                                | <b>\$5,408,086</b> | <b>\$814</b> | <b>\$30,559,185</b> |

\*Estimated based on Competitive Scholarship count

Source: Department of Treasury