Moving Michigan Forward: Public Higher Education Finance Reforms to Bring College within Reach

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Michigan’s public higher education institutions have seen decades of decline in per-student funding, leaving students to face costs that are simply out of reach. The state, for the most part, relies on institutions to provide aid to bring down costs for students at four-year institutions, rather than providing students with aid directly via state grants—but Michigan funds its institutions inequitably, and requires little in the way of accountability for how they disburse their institutional aid. And while Michigan’s community colleges and four-year institutions alike have gotten more expensive,1 four-year degree programs in particular are unaffordable compared to those of other states in the region.2 These trends put enrolling in higher education out of reach for too many students and make completing a degree more difficult.

Some of these challenges require both significant new investment and restructuring of the state’s financing system—changes that take time, revenue, and the right political window. The global pandemic has strained state budgets, narrowing that opportunity in the near-term. Yet the state still has opportunities to make short-term progress on affordability challenges. This report summarizes core challenges, provides a pathway for future structural changes to the state’s financing of higher education, and suggests concrete immediate steps that policymakers can take to move toward that vision.

Challenge 1: Michigan sends too few dollars to its public higher education institutions, which contributes to increases in tuition—but the state does little to mitigate those costs for struggling students.

Funding for Michigan’s public four-year institutions has decreased over time, declining 56 percent from 2000 to 2012, and that trend has only been minimally reversed since the end of the Great Recession. In fact, currently, the state spends less on its public institutions than most of its neighbors, and ranks in the bottom ten states nationwide in terms of investment in higher education as a percentage of its state budget.3 This low level of state spending contributes to rising tuition, which in turn requires significant resources from families of students who want to attend—many of whom simply cannot afford it. The state also provides very minimal funding for its state grant aid programs; if funded more extensively, these could mitigate some of the effects of high tuition.

Funding is also uneven across institutions.4 Schools serving a higher proportion of low-income students and a higher proportion of black students receive less operational funding—a funding stream that, if better resourced, could also be used to bring down student costs. We estimate that,

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1. This report can be found online at: https://tcf.org/content/report/moving-michigan-forward-public-higher-education-finance-reforms-bring-college-within-reach/
state-wide, black students enrolled in a public university are supported by a median of $4,461 in state appropriations, compared to a median of $5,466 for white students; furthermore, students who receive Pell Grants also are concentrated in lower-resourced institutions. Even amidst the deep economic downturn, there are opportunities for state policymakers to make progress in addressing this inequitable and inadequate funding, while moving toward bolder affordability goals as the state recovers.

Short-Term Recommendations

• Allow out-of-work Michigan residents to receive unemployment insurance (UI) while enrolled in a certificate, associate’s, or bachelor’s degree programs.

Michigan’s unemployment insurance law allows workers to receive UI benefits while enrolled in vocational courses, waiving the usual requirement that they look for work. Michigan could expand eligibility for that waiver, clarifying that this provision could be used by workers who have accumulated some credits but are short of completion for any postsecondary degree, or who are interested in pursuing a certificate they could complete within the twenty-week UI period, and who could use time after a layoff to go to school full-time. The state should also take advantage of 18 weeks of additional training benefits under 421.27(g) for workers who need longer time to complete training, given that labor market options may be limited for those permanently displaced in the wake of COVID19. While the record number of Michiganders collecting UI will likely decline as the state reopens, many are likely to continue to seek training opportunities while out-of-work. The addition of Michigan training benefits to Pandemic Emergency Unemployment Compensation and Federal State Extended Benefits could give workers a total of as much as 51 weeks of extended benefits to complete a course of higher education that would start this fall.

The state could help students even more if the legislature expanded the list of training programs in which participants could still receive UI benefits to include courses that help workers obtain a better paid job than their previous work—a provision that New York adopted several years ago. Current rules only allow training if a worker cannot find work with their previous skills, even if that work is low paid and unstable.

• Use the state tax infrastructure to make the partially refundable American Opportunity Tax Credit advanceable.

Students can qualify for up to $2,500 in a federal tax credit for tuition expenses—40 percent of which is refundable—if their household’s income falls under a certain level ($80,000 for one earner and $160,000 for joint filers). However, for many students, that financial help, which is delivered at tax time, comes too late in the process—they need the funds at the beginning of the semester. States could play an innovative role in delivering that aid earlier by launching a pilot program that provides an advanceable lump sum at the start of the academic year, recouping that investment when families file their state taxes. Making tax credits advanceable has been done before, both through the Affordable Care Act and in previous iterations of the advanceable Earned Income Tax Credit.

• Continue fully funding the Indian Tuition Waiver in the annual budget.

A number of treaties between tribes native to Michigan and the federal government provided for the education of Native students; what that meant in practice has been the subject of legal dispute. In 1934, Michigan successfully convinced the federal government to transfer the land that had gone to the federal government, as well as the responsibility for treaty obligations to the state. This included the obligation to pay for postsecondary education of Native students, resulting in what is known as the “Comstock agreement.” In reality, the state did not follow up on obligations until the legislature codified them in 1976 in the form of free tuition at public institutions for members of a federally recognized tribe. However, by the 1990s, appropriators changed the funding source for the provision of free tuition from a budget line item, rolling the cost into the broader budgets of colleges and universities—meaning that schools had to fund the grant
but didn’t always get a line item to do so. Recently, Governor Gretchen Whitmer and the legislature worked to fully fund the program.\textsuperscript{13} That funding should continue to make good on historical commitments and better serve a population underrepresented and underserved in higher education by ensuring the schools they attend are funded accordingly.

- Set and meet attainable benchmarks to expand higher education financing and reduce or eliminate financing disparities by race and income.

With a goal of closing the gap in financing institutions in the long-run, the legislature can make shorter-term adjustments in the allocation formula. In allocating that funding, the legislature can consider financing gaps each year between institutions serving low-income students and students of color and other institutions, setting and establishing benchmarks to move toward leveling the playing field across different types of institutions in the state.\textsuperscript{14}

- Streamline existing programs and free college proposals to provide free community college tuition across the state, allowing local Promise Zones to reallocate their tuition funding to cover non-tuition costs.

Existing Promise Zones, currently run and designed locally, provide tuition-free community college—and, at times, additional non-tuition support—to students from high-poverty areas of the state.\textsuperscript{15} The Michigan Reconnect program builds on this to offer free community college tuition to adults in high-need degree programs. (The proposed Michigan Opportunity grant would expand this further to more low- and moderate-income students.) In order to provide both a clearly messaged benefit but also equitable investment, the broader free community college initiative should ensure that existing Promise Zone dollars can be moved over to cover non-tuition costs, reducing unmet financial need for low-income students.

### Long-Term Recommendations

- Expand the Tuition Incentive Program (TIP) to leverage existing public benefit data.

The TIP grant is currently available for Medicaid recipients who received Medicaid between the ages of 9 and high school graduation, and are recent high school graduates.\textsuperscript{16} Once the state begins to recover from the existing budget crisis, expanding the program (and financing that increased demand) to reach public benefit beneficiaries who have “proven” their poverty status already—through the significant hurdles required—will target any first dollars newly available to reach very low-income older adult students and recent high school graduates. For example, the Temporary Assistance for Needy Families (TANF) cash assistance program, Supplemental Nutrition Assistance Program (SNAP), and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) are all largely federally funded, state-administered means-tested programs designed to identify and support people living at or near poverty line.

Retaining existing eligibility, while expanding eligibility for TIP to recent high school graduates who came from families that received these other benefits, or to adult students who receive benefits (which may also mean meeting existing work requirements for the program) would streamline grant access for a population of students who have high need. Doing so would also mirror federal proposals to automatically qualify public benefit recipients for maximum Pell Grants.\textsuperscript{17} And broadening what the benefit can go toward (including non-tuition expenses) would do more to fill gaps in financial need for low-income students.

- Create a state grant program that leverages existing institutional aid and removes eligibility barriers for adult students.

A coalition of Michigan’s higher education practitioners, advocates, and policymakers has recommended investing an additional $400 million in a state need-based financial aid.\textsuperscript{18} Building on that recommendation, and as a next big step
when the state budget moves toward recovery, policymakers should ensure that such a large-scale increase in grant aid is provided to students at schools that meet a “maintenance of effort” requirement when it come to existing institutional aid; in other words, schools do not just supplant institutional grant aid with state grant aid but instead invest in closing gaps in unmet need for students.

Additionally, while $400 million is a good starting point, the target dollar amount should be set to close the most critical gaps in financial need—taking into account both tuition and non-tuition costs—facing both four-year students and community college students, even in places where they may receive tuition support through Promise Zone programs (discussed in more detail later).

Finally, and importantly, the state must remove existing eligibility barriers that restrict adults in the state from benefiting from state grant programs. The recently-created Michigan Reconnect grant for adults attending community college is a good start in that regard, but adults seeking a bachelor’s degree still receive no help from the state’s major aid programs.

• Identify and move toward adequate state funding levels for community colleges.

Relative to other sectors of higher education, community colleges tend to educate students with greater educational needs; their students are more often financially self-reliant; and their students are more likely to have children to care for amid their learning. The state must deliver adequate resources to community colleges to provide a quality education and keep tuition affordable, but Michigan’s funding for community colleges is just $3,265 per full-time equivalent student, compared to $5,492 at four-year institutions. In the K-12 world, states often ask the question as to what constitutes “adequate” funding to serve students, and Michigan recently conducted a study to make that determination. The state should similarly conduct a costing-out study to identify what level of funding would adequately provide a quality community college education in Michigan.

A work group of experts on community college finance recently provided a framework to design such a study.20

• Reverse the decades-long decline in higher education funding more broadly, while closing gaps in funding across institutions.

Each institution receives a budget allocation from the state legislature based on a range of factors, including historical appropriations and performance funding,21 and the resulting allocations result in inequitable and uneven funding across institutions. Four-year institutions serving more low-income students and institutions with a higher percentage of black students tend to receive fewer dollars than four-year institutions serving a wealthier, less diverse student body. As mentioned, public universities receive about 60 percent more funding per student than community colleges. Changing allocations may be a big lift given the autonomous nature of public higher education institutions in Michigan, but as the state looks to increase their support for higher education over the next five years, they should ensure that they also close gaps in funding between institutions. Doing so will allow those institutions to better serve students and provide support to those institutions to keep tuition lower (or provide additional institutional aid). In the short-term, ensuring that community colleges are spared from deep budget cuts at a time when many out of work adults may decide to return to a community college campus will be critical.

Challenge 2: Currently available financial aid is provided through a patchwork of sources—state grant aid, institution-level aid, public benefits, and federal dollars—making it difficult for students to understand what’s available, plan for costs, and access resources.

A primary method of delivering financial support to students at four-year institutions is through institutional aid, which the state does not currently control, and which is often distributed inequitably by institutions. Moreover, students who were likely to qualify for institutional aid at a four-year institution may have no idea they were eligible, and therefore might decide not to apply, after seeing the sticker price (tuition). Students who may qualify for other federally
financial programs that could help pay for tuition or non-tuition costs often do not know about that aid either. And it is even possible students who could benefit from a local Promise Zone program may similarly be unaware. Because low-income students often overestimate costs—and a high tuition, high aid model makes that even more likely—it is important that states reach students at scale and provide information about the actual out-of-pocket cost.

Now, more than ever, Michigan should ensure that existing aid streams, including institutional aid and public benefits, are clearly explained to students and families, and that state agencies utilize existing authority to automate access, remove barriers, and maximize available aid.

**Short-Term Recommendations**

- Provide personalized financial aid estimates to Michigan families.

Even without a guarantee, the state could do much more to clearly message aid that is available. Michigan could coordinate relevant state agencies (internal to Treasury and otherwise) to create a checkbox on tax returns that allows families to request an annual, personalized estimate, based on their income and number of dependents, for the cost of attending local two- and four-year public institutions. Schools are already required to provide net price calculators online to give this kind of information to interested students (see, for example, Wayne State University’s net price calculator). The Office of Postsecondary Financial Planning could leverage those existing back-end calculators and, using the information provided through the state tax agency, provide families with personalized projections of aid for institutions local to the taxpayer requesting information.

The state could also work with state benefit agencies that collect family income and dependent information to provide similar checkbox requests. In fact, the state already has the operational apparatus in place to do this: the state Health and Human Services works with the state’s Treasury Department to contact potential grant recipients of the Tuition Incentive Program, identifying anyone who was a Medicaid enrollee, and thus would qualify for the grant.

- Provide unemployed workers with more immediate access to Pell Grants.

Financial aid is typically based on a worker’s earnings from previous years, and so recently unemployed workers interested in attending college may receive little or no financial aid if their prior year earnings are high. However, the federal Higher Education Act allows financial aid administrators to make case-by-case adjustments to expected family contributions for a variety of reasons, including unemployment, and the U.S. Department of Education has, in the past, encouraged schools to do so. Michigan should require its public higher education institutions to consider out-of-work applicants separately, using this professional judgment flexibility to assess financial need when unemployed workers apply for financial aid. Furthermore, Michigan’s unemployment agency should make UI recipients aware of this option through mailings. When forty states sent such a letter to schools and workers during the recession, there was a statistically significant uptick in the number of jobless workers accessing Pell Grants: Michigan should require its public higher education institutions to consider out-of-work applicants separately, using this professional judgment flexibility to assess financial need when unemployed workers apply for financial aid.

- Pilot a “mandatory FAFSA” policy.

Faced with a high sticker price, students may be deterred from even applying to college or for financial aid; in fact, students leave billions of dollars in Pell Grants on the table. Only 60 percent of Michigan high school seniors completed a FAFSA last year, placing it in the bottom half of states. Three states have enacted policies to mandate FAFSA completion by high school seniors as a requirement for graduation, though states provide significant opt-outs for students who may have barriers to doing so. The state legislature is already debating passing a mandatory FAFSA requirement, mirroring efforts in other states.

In Louisiana, the only state where the provision has taken effect, total FAFSA completions rose 24 percent year-over-year with the policy’s enactment. Further, TCF research shows that districts with many low-income students and
students of color saw disproportionately large increases to FAFSA completion rates. However, this research finds that more can be done in the design of policy and implementation for undocumented students, families with limited English proficiency, and students asked to complete verification. A limited pilot program should have clear and easy pathways to opt out, new financial resources to hire staff where needed and state-coordinated professional development, and clear tracking and accountability to identify and close any equity gaps.

- Streamline enrollment in SNAP for students who already qualify.

As discussed below, many students are automatically deemed ineligible for the federal food stamp program, or Supplemental Nutrition Assistance Program (SNAP). However, those who do qualify may not know that they do. School financial aid administrators and others could do more to make sure students know about benefits potentially available to them. For example, there could be an opt-out screening for SNAP eligibility when students register for school. And both four-year institutions and community colleges could provide students most likely to qualify with information in the aid packages about potential eligibility and application processes. Because the Michigan Competitive Scholarship, the Michigan Tuition Grant, and TIP are largely financed by federal TANF dollars, many low-income recipients of these grants will be SNAP-eligible. Finally, because all work study recipients qualify for SNAP if they also meet the income and asset requirements, schools participating in the work study program should provide those students with a streamlined connection to SNAP application assistance. All of this work would build on efforts underway with the community colleges to partners with benefits access portals, such as MiBridges.

**Long-Term Recommendations**

- The state and institutions should coordinate their efforts to peg expansions in financial aid to clear, understandable affordability guarantees.

Research shows that a clear promise to students about the cost of college can be effective at encouraging them to enroll in college, including among groups who traditionally wouldn’t; this has, in fact, been one of the clearest takeaways from the recent expansion in Promise programs. When increasing investment in operational funding and in state grant aid, states should ensure that institutions commit to clear price benchmarks that are understandable to students.

Michigan already does this in part with its Promise Zone programs. Two of the state’s most closely studied tuition-free community college programs—the Kalamazoo Promise and the Detroit Promise (in particular the support elements available through the program)—have shown significant and positive outcomes for students. Several institutions in Michigan provide similar guarantees, though there is not consistency statewide. And a recent study by researcher Susan Dynarski, in which she and her research colleagues provided information directly to students to let them know that, if accepted, they would qualify for free tuition at the University of Michigan, found that those students were twice as likely to apply and then enroll. Finally several other institutions in Michigan provide similar guarantees, though there is not consistency statewide.

Building on existing efforts and new investments made by the state in grant aid, state policymakers should target clear affordability guarantees that both close gaps in financial need and make it far more likely students and families can understand what is available. In other words, as the state increases its investment, it should ensure institutions do not exceed benchmark costs for low- and moderate-income families. One state-level example is the systemwide University of California Blue and Gold program that guarantees free tuition for families earning under $80,000 per year, combining federal, state, and institutional aid sources. Similarly, in New Jersey, Governor Phil Murphy recently proposed new operational funding at public colleges that would support a “Garden State Guarantee,” where institutions receiving the new funding would commit to covering tuition and fees for students from families earning up to $65,000 per year.
Challenge 3: Many students in Michigan live in poverty or in low-income households and face costs beyond tuition that make pursuing a degree unattainable—or that make increasing levels of debt unavoidable.

Wages in the state have fallen in the past two decades, and the poverty rate currently stands at 14 percent.40 As a result, Michigan has a large number of low-income students and students in poverty, meaning that even as state grants increase and state funding increases, non-tuition costs would still create a significant barrier. The net price for families can be as high as 25 percent of median household income statewide41—and even higher for low-income families. Even assuming a new state grant program covers additional tuition and non-tuition costs for students, more will need to be done to ensure low-income students can pay for non-tuition costs. And given both the budget strains that will likely result from COVID-19 responses, and the individual financial strain that the pandemic may have on families in the coming months and beyond, leveraging federal benefits designed to support low-income people and those in poverty will be more critical than ever.42

Short-Term Recommendations

- Connect students to UI benefits.

Many working students who lose their jobs in the wake of COVID-19 should qualify for some help through either state or federal unemployment benefits. These include individuals who are going to school part-time, and lose full or part-time work. However, students who do not typically qualify for unemployment insurance may qualify for the short-term Pandemic Unemployment Assistance (PUA) program if they lost their due to COVID-19. The PUA program provides a weekly benefit of $600 plus a minimum of at least 50 percent of the median state weekly benefit.43

- Expand out the community college programs that qualify students for the SNAP exemption.

In order to qualify for SNAP, students, for the most part, must work at least twenty hours per week.44 However, the state has significant room to identify programs that count as career and technical education, or as the equivalent of SNAP Education and Training programs that expand employability, which exempts students from this twenty-hour requirement (a student would still need to meet the income and asset test to qualify for SNAP).45 States such as Pennsylvania, Oregon, and Massachusetts have clarified that a wider range of community college programs qualify a student for the exemption, and Michigan could do the same. Indeed, all community college programs should meet the test of “expanding employability” required by federal regulations.46

- Better coordinate Trade Adjustment Assistance (TAA) with Pell Grants to ensure Pell can cover living expenses.

Participants in the federal Trade Adjustment Assistance program can use their benefits to pay for the cost of tuition, but this usually does not cover the full cost of attendance. Michigan’s Department of Labor and Economic Opportunity should work to ensure that TAA recipients in college are advised that they can access Pell Grants and other financial aid to cover living expenses. Proposed federal regulations specify that TAA is different than other federal job training dollars through the Workforce Innovation and Opportunity Act, which doesn’t allow federal job training dollars to be used for tuition when Pell is available.47 Counseling modules should be developed to help TAA recipients choose when they take federal financial aid, either contemporaneously with TAA when they are pursuing two year programs or sequenced after TAA when pursuing a four-year program.

Long-Term Recommendations

- Benchmark affordability guarantees to look at the full cost of attendance.

As the state considers benchmarks for investing in its state grant program, it should broaden its funding commitments to include non-tuition costs in its “affordability guarantees.” Doing so will further limit the extent that low- and moderate-
income students must rely on debt to finance education, even if the state were at a place where tuition were covered by various grant programs.

- Track and assess institutional debt forgiveness.

About one-third of students have unpaid balances on their institutional accounts at the end of a given year, and about 5 percent of students have institutional debt that goes to collections, which creates a barrier for returning students who want to reenroll in school. Wayne State University has piloted a program to forgive that debt when a student re-enrolls, reporting positive early results as adult students hear about the program and return to school.

Michigan researchers should track progress and impact of the program, and, if successful, consider a state grant program pilot that replicates the program across the state.

**Looking Forward**

Michigan has significant opportunities to reinvest in their higher education system, refocus investments to make college more affordable for struggling students, and leverage federal funding streams that can help them along the way. Some of those changes require significant investments that will take time and the right political opportunity, and the effects of the global pandemic will almost certainly delay the more costly reinvestment needed. Others require meaningful policy change that can be done more immediately. All would make progress in moving the state toward a more affordable, equitable higher education system.

**Acknowledgements**

Thank you to Lumina Foundation and the Joyce Foundation for their support. The views expressed in this publication are those of the authors and do not necessarily represent those of either foundation, including their officers and employees. to Anthony Walsh and Peter Granville for their research assistance; and to Jessica Thompson, Catherine Brown, Robert Shireman, Peter Ruark, Carrie Welton, Chuck Wilbur, Michelle Miller-Adams, Brad Hershbein, and Patrick Cooney for giving helpful feedback along the way.

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**Notes**

3. Ibid.
4. Ibid.


26 20 U.S.C § 1087.


32 Recipients of the state’s grant programs must be within SNAP’s income thresholds to receive SNAP, so not all recipients of these grants are necessarily SNAP-eligible. See “SNAP for College Students,” The Center for Law and Social Policy, https://www.clasp.org/sites/default/files/publications/2017/10/SNAP%20for%20College%20Students-An%20Overview.pdf.

33 7 CFR Sec 273.5(b)(6).


41 Ibid.


44 7 CFR Sec 273.5.

45 7 CFR Sec 273 (b)(1)(iv); 7 CFR Sec 273(b)(1)(i)(A).

46 7 CFR Sec 273.5(b)(11).

