

Adequate Funding Needed to Make Postsecondary Education More Accessible

Michigan's public postsecondary institutions receive state funding through two separate budgets: the Community Colleges budget and the Higher Education (university) budget. Because community colleges and universities are constitutionally independent, there is not a state-level agency or department with policymaking authority over these institutions, and these budgets are the vehicle through which state policy is applied.

One policy initiative of the appropriations committees in recent years has been to keep tuition increases down through use of "tuition restraint." Universities and community colleges set their own tuition rates, but because university tuition has increased dramatically over the past 15 years (due in part to decreasing state support), funding increases to each university are contingent on whether the university plans to keep the upcoming year's tuition increase below a specific threshold. The League supports this intervention by the Legislature to temper tuition increases, but urges the Legislature to go further and replace a greater share of the funding cut from universities over the years in exchange for tuition reduction rather than just tuition restraint.

The two budgets are also where financial aid funding and benefit levels are determined. Traditionally, this has been done through the higher education budget even though most aid programs have been available to community college students as well. One exception in recent years has been the Part-Time Independent Student Grant, which was discontinued in 2009, leaving students who have been out of high school 10 years or more with no state financial aid. For two years, reinstatement of the grant was included in the community colleges budget with the stipulation that it could be used only at community colleges. Unfortunately, in both years the Legislature stripped out funding for the grant before the appropriations bills were sent to the governor.

League Priorities: 2019 Higher Education and Community Colleges Budgets

- ▶ Reinstatement of the Part-Time Independent Student Grant and appropriate at least \$4.7 million in funding.
- ▶ Adequately fund all financial aid programs to help students from a wide range of economic backgrounds, while using TANF funds only for students from families with low incomes.
- ▶ Build on the "tuition restraint" strategy of keeping tuition under control by providing additional funding to universities contingent on "tuition reduction."
- ▶ Use the School Aid Fund only for its intended purpose of funding K-12 education, rather than using it to replace General Fund dollars for community colleges and universities.

There are two streams of funding for postsecondary education that are controversial. One is the School Aid Fund, whose primary purpose is to fund K-12 education. The practice of pulling dollars from this fund and putting them in the operations budgets for universities and community colleges started in the 2000s during a couple of very tight budget years, and became regular practice beginning in the 2012 budget year. During annual appropriations hearings for the two budgets, legislators raise objections and sometimes introduce amendments to return the money meant for K-12 back to K-12, but the practice continues. The League supports generous funding for community colleges and universities from the General Fund, but believes that School Aid Funding should be used for its original intent and not be "raided" for postsecondary education.

Another controversial funding stream for postsecondary education is the use of federal Temporary Assistance for Needy Families (TANF) dollars for college financial aid. Currently, TANF dollars fully fund the Tuition Incentive Program, which targets Medicaid-eligible students, and provide the bulk of funding for the two other aid programs, which serve students from families across the economic spectrum. While it makes sense to use TANF to fund financial aid for students from families with low incomes, the League believes that aid to students from middle-class and higher-income families should come from the General Fund rather than TANF.

FINANCIAL AID

● Governor:

- ◆ The governor did not include funding to reinstate the Part-Time Independent Student Grant.
- ◆ The governor recommended a \$1.5 million increase for the Tuition Incentive Program, for a total of \$59.8 million expected to assist approximately 22,000 students in the upcoming school year.
- ◆ The governor raised the maximum Tuition Grant award slightly (from \$2,000 to \$2,100) while the maximum Competitive Scholarship award remains flat (\$1,000). Despite the increase in the Tuition Grant, the governor's budget adds \$6 million to the Competitive Scholarship and decreases the Tuition Grant funding level by the same amount, due to higher expected participation in the latter and lower in the former.
- ◆ The Governor added \$1.5 million in TANF dollars to cover the increase in funding for the Tuition Incentive Program, for a total of \$109.8 million (14%) of Michigan's TANF allocation that is used for financial aid.

● Senate:

- ◆ The Senate did not include funding for the Part-Time Independent Student Grant.
- ◆ The Senate included the governor's \$1.5 million increase for the Tuition Incentive Program.
- ◆ The Senate raised the maximum Tuition Grant award from \$2,000 to \$2,400 while the maximum Competitive Scholarship award remains flat (\$1,000). The Senate includes the governor's \$6 million for the Competitive Scholarship, but does not decrease funding for the Tuition Grant.

- ◆ The Senate adds \$7.5 million in TANF dollars to cover the increase in funding for the Tuition Incentive Program and Competitive Scholarship, for a total of \$115.8 million (15%) of Michigan's TANF allocation that is used for financial aid.

● House:

- ◆ The House did not include funding for the Part-Time Independent Student Grant.
- ◆ The House included the governor's \$1.5 million increase for the Tuition Incentive Program.
- ◆ The House raised the maximum Tuition Grant award from \$2,000 to \$2,300 while the maximum Competitive Scholarship award remains flat (\$1,000). The House includes the governor's \$6 million for the Competitive Scholarship, but does not decrease funding for the Tuition Grant.
- ◆ The House adds \$7.5 million in TANF dollars to cover the increase in funding for the Tuition Incentive Program and Competitive Scholarship, for a total of \$115.8 million (15%) of Michigan's TANF allocation that is used for financial aid.

OPERATIONS FUNDING AND RETIREMENT COSTS FROM THE SCHOOL AID FUND (SAF)

- **Governor:** The governor's budget completely funds community college operations and the community colleges' Michigan Public School Employees Retirement System (MPERS) allocation with \$405 million pulled from the School Aid Fund intended for K-12 public schools, using no General Fund dollars for either operations or retirement. The governor's budget also pulls \$385 million from the School Aid Fund to fund a portion of public university operations and MPERS, for a total of \$790.6 million diverted from K-12 to postsecondary education.
- **Senate:** The Senate funds community college operations and MPERS with \$405 million pulled from the School Aid Fund, and adds \$3.19 million in General Fund dollars for operations. The Senate concurs with the governor in pulling \$385 million from the School Aid Fund to fund a portion of public university operations and MPERS, for a total of \$790.6 million diverted from K-12 to postsecondary education.
- **House:** The House completely funds community colleges operations and MPERS with \$408.2 million pulled from the School Aid Fund, an increase of

\$3.19 million in SAF for operations over the governor's amount. The House concurs with the governor in pulling \$385 million from the School Aid Fund to fund a portion of public university operations and MPSERS, for a total of \$793.8 million diverted from K-12 to postsecondary education.

TUITION RESTRAINT

- **Governor:** The governor set the maximum for tuition increases over the previous year at 3.8% or \$490, whichever is greater. The tuition restraint level for the current year is 3.8% or \$475, whichever is greater.
- **Senate:** The Senate concurred with the governor's tuition restraint level.
- **House:** The House concurred with the governor's tuition restraint level.