

**DATE:** February 21, 2013  
**TO:** House Appropriations Subcommittee on Higher Education  
**FROM:** Kyle I. Jen, Deputy Director  
**RE:** Tuition Incentive Program

### Summary

The Tuition Incentive Program (TIP) is a state-funded financial aid program targeted toward low-income middle school and high school students. Students who certify as eligible for the program and go on to graduate from high school are eligible to have tuition costs reimbursed for associate's degree or certificate studies at a Michigan postsecondary institution, with a smaller amount of reimbursement available for continuing bachelor's degree studies.

The FY 2013-14 Executive Budget recommendation for Higher Education includes an increase of \$3.2 million GF/GP (7.3%) to fund projected cost growth due to continued increases in program participation and proposes to move the provisions governing TIP from budget act boilerplate language to a separate statute, consistent with the other major state financial aid programs.

### Program Background and Provisions

The Tuition Incentive Program was initially established in the FY 1987-88 Social Services budget act as an incentive for low-income students to complete high school and enroll in college. The program was subsequently moved to the Community Colleges budget and then the Higher Education budget. Beginning with FY 2000-01, administrative responsibility for the program was shifted from the Family Independence Agency to the Department of Treasury.

The program's provisions have been renewed each year in the annual Higher Education budget act (now contained within the compiled School Aid Act), with various revisions made over time. Unlike other major state financial aid programs, the program does not have a separate permanent governing statute.

Until recent years, the appropriation for the program was made from state revenue—Merit Award Trust Fund and/or GF/GP revenue. In recent years, those funds have been replaced with federal Temporary Assistance to Needy Families (TANF) funds, with an offsetting fund shift implemented in the budget for the Department of Human Services, in order to improve the state's TANF maintenance of effort (MOE) position. These adjustments were made beginning in FY 2007-08 and are now built into the ongoing base budgets for both Higher Education and Human Services.

Section 256 of Public Act 201 of 2012 contains the provisions governing TIP for FY 2012-13. 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 are then eligible for two phases of the program:

**Phase I:** Tuition/fee costs are paid for up to 80 semester credits (or 120 term credits) leading to an associate's degree or certificate.

**Phase II:** Students are eligible for up to \$2,000 toward the costs of pursuing a bachelor's degree.

Other significant program provisions are as follows:

- Participants must be less than 20 years old at the time of high school graduation or GED completion and be both a U.S. citizen and Michigan resident.
- Under Phase I, 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 or certificate program at a state university, lower division resident tuition/fees are paid. For students enrolled at an independent college/university, a tribal community college, or Focus: HOPE, an amount up to the average community college in-district tuition rate is paid.<sup>1</sup>
- To be eligible for Phase II, a student must either (1) complete 56 transferable semester credits (or 84 transferable term credits) or (2) obtain an associate's degree. Under Phase II, up to \$500 per semester (or \$400 per term; \$2,000 total) is available for bachelor's degree coursework at a Michigan college or university. The coursework must be completed within 30 months of completion of Phase I requirements.
- The department is instructed to work closely with participating institutions to develop an application and eligibility process that will provide the highest level of participation and to ensure that the program is well-publicized and that potentially-eligible Medicaid clients receive information about the program.
- Institutions are required to ensure that all available restricted grants for tuition and fees are used prior to billing TIP for tuition/fee costs. Participants are required to have requested information on the Free Application for Federal Student Aid (FAFSA), which is the basis for federal Pell Grant and other financial aid awards.

The Department of Treasury indicates that Medicaid clients who are determined to be eligible to apply for TIP participants are sent applications each year. About 227,000 letters were sent out to such clients in 2012. Only about 39,000 completed applications were returned. (This number did, however, increase significantly from about 22,000 the year before.) Meanwhile, approximately 20,000 high school seniors who had previously applied for the program received eligibility letters in January that can be taken to a college or university as proof of TIP eligibility for the upcoming academic year.

#### **TIP Payments by Institution/Sector**

An attached table shows TIP payments amounts by institution and sector for FY 2011-12, which totaled \$38.6 million. The vast majority of TIP payments were made for Phase I of the program—\$36.8 million was paid to 15,240 students enrolled in associate's degree or other eligible programs at institutions in the three higher education sectors:

- 11,626 students attending community colleges received payments totaling \$20.9 million.
- 1,473 students enrolled in associate's degree or certificate programs at public universities received payments totaling \$11.6 million. Four public universities in Michigan offer associate's degree programs: Ferris State, Lake Superior State, Michigan Tech, and Northern Michigan. Michigan State offers certain certificate programs that are eligible for TIP Phase I enrollment.
- 2,141 students attending independent institutions received payments totaling \$4.4 million.

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<sup>1</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.

Payments for Phase II of TIP—\$500 per semester for up to four semesters (or \$400 per term) toward completion of a bachelor's degree—totaled just \$1.8 million in FY 2011-12. This is due to (1) the more limited payment amounts under Phase II and (2) a relatively low number of students continuing from Phase I to Phase II. The number of Phase II participants was equal to just 13.3% of the number of Phase I participants. That percentage has increased, however, from 9.0% in FY 2006-07, implying that a higher number of associate's-level students in the program are choosing to go on to pursue further work toward a bachelor's degree.

Over 75% of Phase II expenditures occurred at public universities.

### Historical Expenditure Information

The table and chart below shows the total number of awards and total payment amounts for TIP since administrative responsibility for the program was moved to the Department of Treasury in FY 2000-01.

#### Tuition Incentive Payment History *Phase I and Phase II Expenditures*

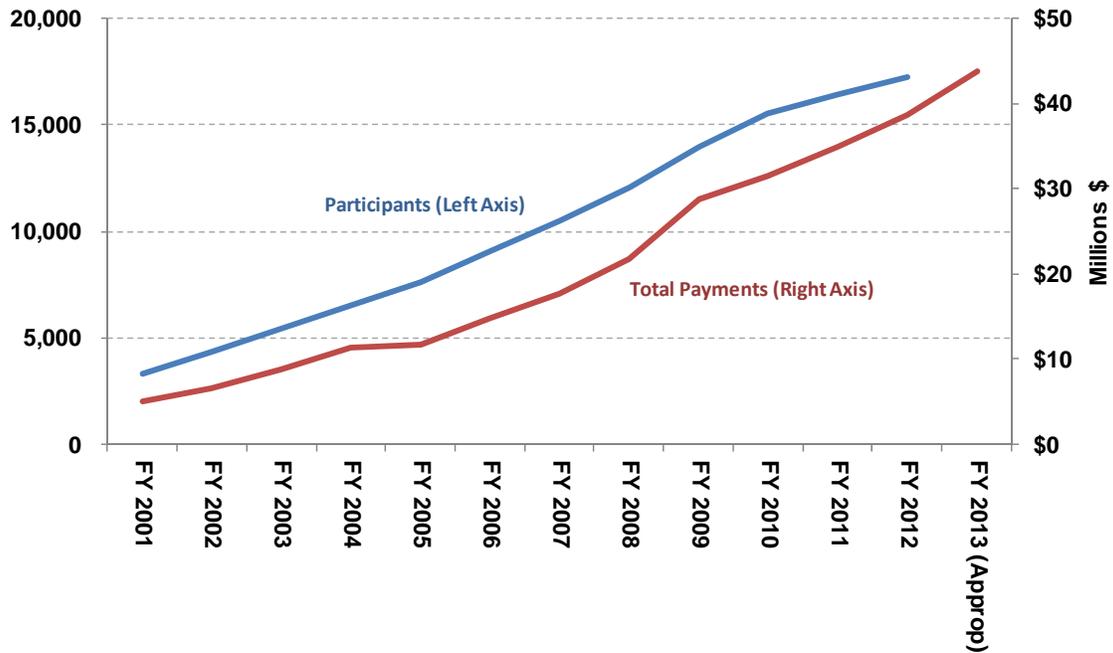
<u>Fiscal Year</u>	<u>Number of Awards</u>	<u>Total Payments</u>	<u>Average Payment</u>
2000-01	3,318	\$5,017,937	\$1,512
2001-02	4,325	6,641,827	1,536
2002-03	5,401	8,874,659	1,643
2003-04	6,529	11,281,722	1,728
2004-05	7,637	11,705,483	1,533
2005-06	9,046	14,694,653	1,624
2006-07	10,462	17,600,277	1,682
2007-08	12,041	21,798,128	1,810
2008-09	13,957	26,861,948	1,925
2009-10	15,558	31,365,000	2,016
2010-11	16,424	34,650,729	2,110
2011-12	17,266	38,562,526	2,233
<b>Annualized % Change</b>	<b>16.2</b>	<b>20.4</b>	<b>3.6</b>

Over the eleven-year period, total TIP payments grew at an annualized rate of 20.4%. This growth was driven mainly by an increase in the number of participating students, which occurred at an annualized rate of 16.2%. The average payment amount, meanwhile, grew at an annualized rate of just 3.6%, roughly corresponding to the growth in the average community college tuition rate over that time.

The growth in the number of TIP awards and total payments amounts over the last decade corresponds with growth of 68.4% in the state's Medicaid caseload over roughly the same time period. Additionally, participation rates have increased as the program has become more widely publicized.

The FY 2012-13 appropriation for TIP is \$43.8 million, funded entirely from federal TANF revenue.

## Tuition Incentive Program



### FY 2013-14 Executive Recommendation

The FY 2013-14 Executive Budget recommendation for Higher Education includes an increase of \$3.2 million (7.3%) to fund projected cost growth due to continued increases in program participation. Expenditure growth in the last few years has been roughly 10% per year. The increase would be funded from GF/GP funds, rather than TANF funds.

Additionally, the Executive Budget proposes to move the provisions governing TIP from budget act boilerplate language to a separate statute, consistent with the other major state financial aid programs (State Competitive Scholarships and Tuition Grants). This would provide a more permanent basis for establishing eligibility for and participation in the program.

The proposed legislation (which has not yet been introduced in the Legislature) would largely mirror the existing boilerplate provisions and administrative policies for the program. (The current administrative policies include a limit of 24 credits per year for which tuition is reimbursed and a limit of \$250 per semester for which mandatory fees are reimbursed). The exception is a proposed policy change to limit Phase I tuition reimbursement at public universities to 300% of the average in-district community college tuition rate. Based on current community college tuition rates, that limit would be equal to roughly \$6,500 per year. Lower division tuition rates for 24 credit hours at the five public universities offering programs eligible for Phase I of TIP currently range from about \$8,600 to \$10,500.

The proposed policy change would not take effect until FY 2014-15, with the goal of restraining cost growth in years subsequent to FY 2013-14. No additional appropriation increase for TIP is built into the planning budget for FY 2014-15 under the Executive Budget recommendation.

Attachment

**ATTACHMENT**  
**Tuition Incentive Program - Fiscal Year 2011-12**  
**Phase I and Phase II Gross Expenditures**

Institution	Phase I		Phase II		Total Dollars
	Students	Dollars	Students	Dollars	
Alpena Community College	166	\$473,303			\$473,303
Bay de Noc Community College	164	460,277			460,277
Bay Mills Community College	15	20,160			20,160
Delta College	660	1,178,078			1,178,078
Glen Oaks Community College	48	79,368			79,368
Gogebic Community College	79	191,631			191,631
Grand Rapids Community College	825	1,907,859			1,907,859
Henry Ford Community College	1,046	1,691,828			1,691,828
Jackson Community College	297	742,256			742,256
Kalamazoo Valley Community College	363	552,189			552,189
Kellogg Community College	260	424,352			424,352
Kirtland Community College	133	210,622			210,622
Lake Michigan College	213	393,155			393,155
Lansing Community College	691	1,141,592			1,141,592
Macomb Community College	903	1,318,319			1,318,319
Mid Michigan Community College	228	571,702			571,702
Monroe County Community College	103	157,030			157,030
Montcalm Community College	124	236,512			236,512
Mott Community College	806	1,747,125			1,747,125
Muskegon Community College	324	601,548			601,548
North Central Michigan College	159	346,210			346,210
Northwestern Michigan College	321	816,741			816,741
Oakland Community College	1,066	1,240,827			1,240,827
St. Clair County Community College	305	663,389			663,389
Schoolcraft College	311	487,045			487,045
Southwestern Michigan College	191	431,548			431,548
Washtenaw Community College	294	454,275			454,275
Wayne County Community College	1,435	2,167,743			2,167,743
West Shore Community College	96	150,884			150,884
<b>Community College Totals</b>	<b>11,626</b>	<b>\$20,857,568</b>	<b>N/A</b>	<b>N/A</b>	<b>\$20,857,568</b>
Central Michigan University			110	\$96,500	\$96,500
Eastern Michigan University			136	113,500	113,500
Ferris State University	748	5,635,004	193	162,000	5,797,004
Grand Valley State University			162	148,000	148,000
Lake Superior State University	175	1,568,549	55	40,500	1,609,049
Michigan State University	14	115,110	147	126,000	241,110
Michigan Technological University	160	1,587,823	48	35,500	1,623,323
Northern Michigan University	376	2,649,429	96	72,200	2,721,629
Oakland University			76	70,000	70,000
Saginaw Valley State University			76	63,000	63,000
University of Michigan - Ann Arbor			115	104,000	104,000
University of Michigan - Dearborn			54	46,000	46,000
University of Michigan - Flint			70	57,000	57,000
Wayne State University			165	143,000	143,000
Western Michigan University			117	103,300	103,300
<b>Public 4-Year Totals</b>	<b>1,473</b>	<b>\$11,555,916</b>	<b>1,620</b>	<b>\$1,380,500</b>	<b>\$12,936,416</b>

Institution	Phase I		Phase II		Total Dollars
	Students	Dollars	Students	Dollars	
Adrian College	36	\$84,812	12	\$8,500	\$93,312
Albion College			9	8,000	8,000
Alma College			9	9,000	9,000
Andrews University			3	2,500	2,500
Aquinas College	21	20,000	45	87,192	107,192
Baker College of Allen Park	128	237,741	15	13,600	251,341
Baker College of Auburn Hills	62	115,962	5	4,000	119,962
Baker College of Cadillac	76	148,957	8	8,000	156,957
Baker College of Clinton Twp.	210	387,240	21	17,600	404,840
Baker College of Flint	367	744,156	12	9,600	753,756
Baker College - Graduate Studies	11	17,304	1	800	18,104
Baker College of Jackson	68	155,665	1	1,200	156,865
Baker College of Muskegon	288	608,177	8	8,000	616,177
Baker College of Owosso	205	449,988	2	2,400	452,388
Baker College of Port Huron	62	136,668	3	2,000	138,668
Calvin University			5	4,500	4,500
Cleary University	3	8,736	1	400	9,136
College for Creative Studies			5	4,500	4,500
Compass College of Cinematic Arts	2	4,792			4,792
Concordia University	16	32,044	5	5,000	37,044
Cornerstone University	44	101,301	16	12,500	113,801
Davenport University West-GR	134	223,892	25	20,500	244,392
Finlandia University	52	118,754	10	9,500	128,254
Grace Bible College	15	33,264	1	1,000	34,264
Great Lakes Christian College	27	59,542	4	2,500	62,042
Hope College			12	10,500	10,500
Kyper College	3	8,554	7	6,000	14,554
Lawrence Technological University	33	68,848	14	12,000	80,848
Madonna University	8	15,768	8	7,500	23,268
Marygrove College	71	165,040	25	17,500	182,540
Michigan Jewish Institute	15	30,240			30,240
Northwood University	46	93,828	23	14,300	108,128
Olivet College			20	18,000	18,000
Robert B. Miller College			4	4,000	4,000
Rochester College	42	90,691	6	5,000	95,691
Saginaw Chippewa Tribal College	2	3,145			3,145
Siena Heights University	28	61,642	11	9,500	71,142
Spring Arbor University	66	147,700	21	18,500	166,200
University of Detroit Mercy			17	16,000	16,000
Walsh College			12	12,500	12,500
<b>Independent 4-Year Totals</b>	<b>2,141</b>	<b>\$4,374,450</b>	<b>406</b>	<b>\$394,092</b>	<b>\$4,768,542</b>
<b>Grand Totals - All Sectors</b>	<b>15,240</b>	<b>\$36,787,934</b>	<b>2,026</b>	<b>\$1,774,592</b>	<b>\$38,562,526</b>

Source: Michigan Department of Treasury