MICHIGAN LEAGUE FOR PUBLIC POLICY

September 2016

Peter Ruark, Senior Policy Analyst

Back to School Report: Rising Tuition and Weak State Funding and Financial Aid Create More Student Debt

As Michigan college students start school, they face increasingly high tuition and an unprecedented level of student loan debt that stands to linger their whole lives. At the same time, Michigan's state-funded financial aid hasn't kept up with tuition costs and older students cannot get any state financial aid at all. While Michigan's economy and job market continue to demand well-educated workers, too many students are unable to afford a college degree altogether and many more are incurring a mountain of debt to pursue one. Current state policies are hurting college access and affordability and the state's workforce and job market. Michigan policymakers should make changes so that postsecondary education is more affordable.

PUBLIC UNIVERSITY TUITION IN MICHIGAN IS RISING FAR FASTER THAN INFLATION AND PELL GRANTS

Between 2003 and 2015, tuition more than doubled at almost every Michigan university and increased by more than 150% at several schools. This increase far surpassed the rate of inflation; if each university had only raised its costs to students to keep up with inflation, tuition in 2015 would have been only 20.4% higher than in 2003.

University tuition is also rising faster than the national Pell Grant, a subsidy the U.S. federal government provides for students with financial need to pay for college, which as a result covers a far lower percentage of the university tuition "sticker price." In 2003, the average Pell Grant covered from 40% (University of Michigan-Ann Arbor) to 66% (Saginaw Valley State University) of tuition, but by 2015, it covered less than 40% of tuition at nearly all Michigan universities and less than 30% at three (Fig. 1).

While college costs are rising across the nation, it is particularly bad in Michigan. Michigan universities have raised tuition so much that the state's average tuition cost was the sixth highest in the nation and second highest in the Midwest during the 2015-16 school year. Michigan's community colleges, on the other hand, have the lowest tuition in the Midwest and the 16th lowest in the nation (Fig. 2).

There is a direct correlation, in Michigan and around the country, between state support for public universities and tuition costs. Between 2003 and 2017, Michigan cut university funding by more than $262 million, a 30% decrease in public support after adjusting for inflation (Fig. 3). The cuts have resulted in students and their families being charged higher tuition to make up for universities' lost state revenue. As shown in Fig. 4, from 1990 to 2002, the share of public college operating

The cost burden of university expenses has shifted to students and their families

FIGURE 1

Public University Tuition Outpaces Inflation and Pell Grants

	Total Tuition for Four Years				Covered by Avg. Pell Grant	
	Class of 2015					
	Class of 2003	If Raised Only for Inflation*	Actual	Change	2003	2015
Central Michigan University	$16,399	$19,740	$44,460	171%	50%	33%
Eastern Michigan University	$17,043	$20,515	$36,824	116%	59%	39%
Ferris State University	$19,275	$23,202	$43,680	127%	51%	33%
Grand Valley State University	$18,450	$22,209	$42,076	128%	52%	34%
Lake Superior State University	$17,140	$20,632	$39,217	129%	56%	37%
Michigan State University	$23,216	$27,946	$53,829	132%	41%	27%
Michigan Technological University	$22,771	$27,410	$58,744	158%	37%	24%
Northern Michigan University	$16,287	$19,605	$35,709	119%	61%	40%
Oakland University	$18,171	$21,873	$44,079	143%	49%	32%
Saginaw Valley State University	$15,450	$18,598	$33,049	114%	66%	43%
University of Michigan Ann Arbor	$29,096	$35,024	$55,626	91%	40%	26%
University of Michigan Dearborn	$19,802	$23,836	$42,845	116%	51%	34%
University of Michigan Flint	$16,960	$20,415	$38,938	130%	56%	37%
Wayne State University	$18,302	$22,031	$46,091	152%	47%	31%
Western Michigan University	$18,387	$22,133	$42,946	134%	51%	33%

*The 2003 tuition levels adjusted for inflation using Detroit CPI-U on a fiscal year basis.
Note: Figures assume full-time attendance for four consecutive years leading up to and including year of graduation.
Sources: Tuition: Michigan House Fiscal Agency Public University Summary Data (http://www.house.mi.gov/hfa/HigherEducation.asp, accessed on July 6, 2016); Average Pell Grant: U.S. Department of Education Pell Grant Data Book, Table 1 (http://www2.ed.gov/finaid/prof/resources/data/pell-data.html, accessed July 6, 2016)

costs borne by students (before application of financial aid and scholarships and not counting endowments or donations) ranged from 39% to 44% each year. In 2004, the student's share of expenses began to exceed the amount the state paid per student, and in the past several years it has remained at or around 70%. One might call this decrease in state funding a "slow privatization" of Michigan's public university system.

This is a larger problem in Michigan than in the other Midwest states. Michigan students pay a higher share of universities' college expenses than in any

FIGURE 2

Michigan Has Second-Highest University Tuition and Lowest Community College Tuition in Midwest, 2015-16

Public Four-Year Universities			Public Two-Year Colleges		
State	In-State Tuition	National Rank	State	In-District Tuition	National Rank
Illinois	$13,189	5	Minnesota	$5,391	5
Michigan	**$11,991**	**6**	Iowa	$4,751	10
Minnesota	$10,831	13	Ohio	$4,534	14
Ohio	$10,196	16	Wisconsin	$4,466	15
Indiana	$9,120	26	Indiana	$4,324	17
Wisconsin	$8,815	28	Illinois	$3,751	28
Iowa	$7,877	33	**Michigan**	**$3,510**	**34**

Note: Average tuition and fee prices are weighted by full-time enrollment and are given in 2015 dollars. Ranks refer to the highest 2015-16 tuition in the nation.
Source: The College Board, Annual Survey of Colleges, 2015, Table 5 (http://trends.collegeboard.org/college-pricing/figures-tables/tuition-and-fees-sector-and-state-over-time, accessed July 12, 2016)

FIGURE 3

One Cause of Rising Tuition: Declining Public Funding for Michigan Universities

Fiscal Year	Federal Funds	State Restricted	General Fund	Gross Appropriations	Gross Appropriations (2003 Dollars)*	% Change (2003 Dollars)*
2002-03	$5,500,000	$97,934,802	$1,741,466,933	$1,844,901,735	$1,844,901,735	0%
2003-04	$4,480,700	$89,750,000	$1,559,432,500	$1,653,663,200	$1,632,140,469	-12%
2004-05	$4,500,000	$85,150,000	$1,633,355,800	$1,723,005,800	$1,659,190,770	-10%
2005-06	$3,500,000	$153,500,000	$1,577,443,900	$1,734,443,900	$1,611,377,181	-13%
2006-07	$3,000,000	$243,700,000	$1,364,050,400	$1,610,750,400	$1,473,104,192	-20%
2007-08	$115,198,600	$101,650,000	$1,669,827,100	$1,886,675,700	$1,678,307,383	-9%
2008-09	$177,866,500	$28,610,400	$1,547,628,300	$1,754,105,200	$1,574,375,528	-15%
2009-10	$151,711,200	$300,100	$1,460,232,000	$1,612,243,300	$1,433,602,278	-22%
2010-11	$91,926,400	$300,000	$1,486,052,100	$1,578,278,500	$1,367,958,620	-26%
2011-12	$98,326,400	$200,219,500	$1,065,632,500	$1,364,178,400	$1,154,513,647	-37%
2012-13	$97,026,400	$200,565,700	$1,101,628,300	$1,399,220,400	$1,162,408,424	-37%
2013-14	$97,026,400	$200,565,700	$1,132,981,400	$1,430,573,500	$1,175,390,957	-36%
2014-15	$98,026,400	$206,567,900	$1,212,902,000	$1,517,496,300	$1,260,666,642	-32%
2015-16	$101,526,400	$205,279,500	$1,232,418,500	$1,539,224,400	$1,273,034,322	-31%
2016-17	$101,526,400	$237,209,500	$1,243,904,500	$1,582,640,400	$1,285,510,820	-30%

*Estimates of 2003 dollars use the Detroit CPI-U on a fiscal year basis.
Source: Michigan Senate Fiscal Agency

other Midwest state and pay the sixth-highest share in the nation. Michigan universities also rank third in the nation for the amount of tuition money per full-time equivalent (FTE) student that goes toward operating expenses (Fig. 5).

RISING TUITION MEANS DEBT

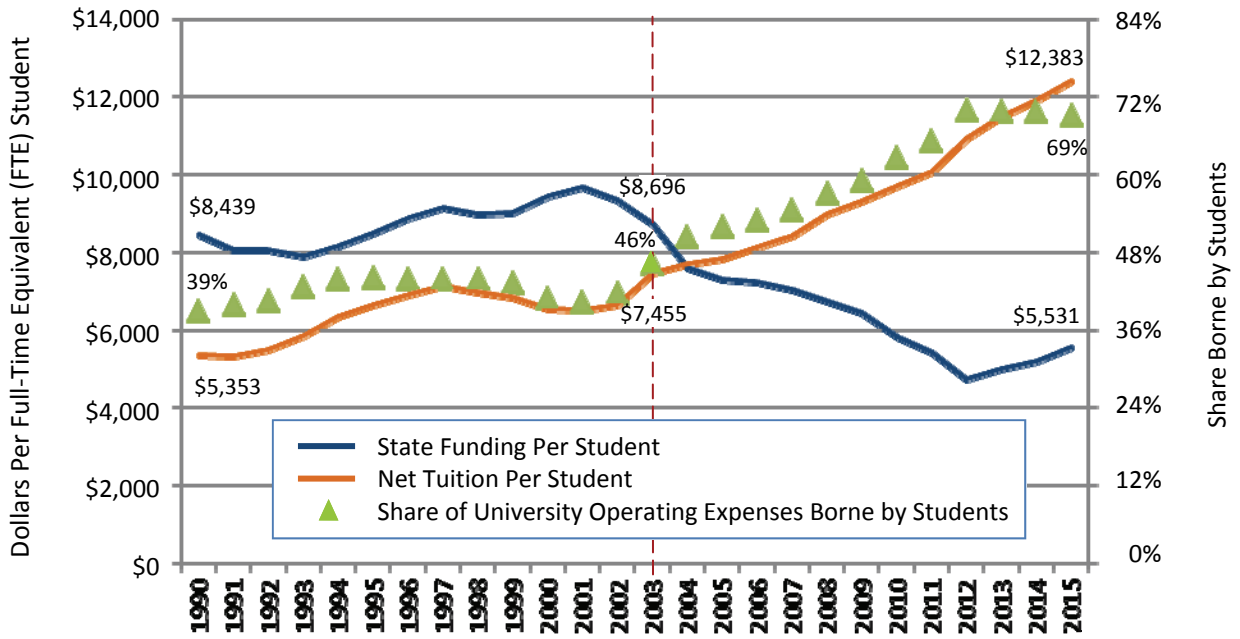
Of Michigan college students who graduated in 2014, 62% graduated with debt. Student debt averaged $29,450, the ninth highest average debt level in the nation and more than $10,000 higher than students in Utah and New Mexico.[1] While there is not racial data on student debt at the state level, national studies have shown great racial disparity regarding the amount of debt owed by students of color. The Urban Institute has found that African-American students and their families owe significantly more in student debt ($43,725) than individuals of other races, and that Latino parents and grandparents incur the most student debt on behalf of their children (Fig. 6).[2]

As might be expected due to the relatively low tuition, community college students nationwide are far more likely than students at other types of institutions to be able to finish and graduate from college without taking out student loans (61%). This is a real contrast to graduates of for-profit colleges, where only 12-14% graduate without borrowing money for tuition.[3]

On the other hand, 88% of graduates of for-profit four-year colleges have taken out student loans, and 62% have student debt of at least $24,300 (Fig. 7).[4] These loans often come with exorbitant interest rates, further complicating students' ability to pay them off. Loan defaults by students at these schools (whether they have graduated or not) are also far higher (22%) than at public (9%) or not-for-profit (8%) four-year colleges.[5] While students at private, for-profit colleges (both two- and four-year) make up about 13% of the nation's college enrollment, they account for nearly half of all student loan

FIGURE 4

The University Funding "Scissors": As State Support for Universities Goes Down, Student Tuition Goes up



Note: This does not factor in university revenue from non-state sources, such as donations or endowments. Tuition figures are before application of state or federal financial aid.
Source: State Higher Education Executive Officers (SHEEO): State Higher Education Finance FY15 (http://www.sheeo.org/projects/shef-fy15, accessed May 20, 2016)

FIGURE 5

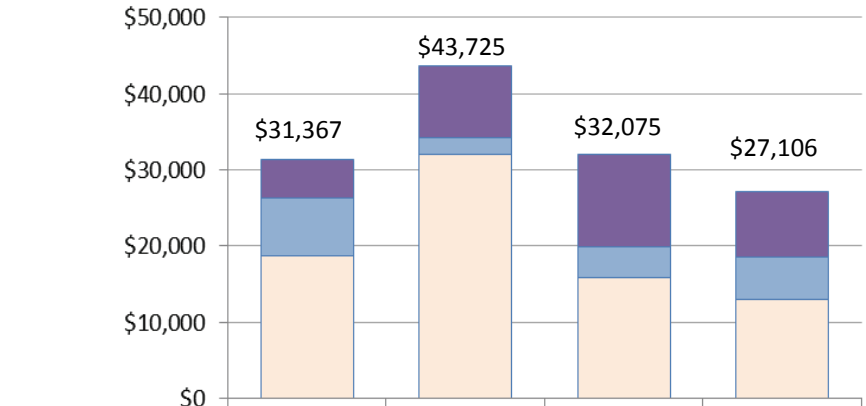
In Midwest, Michigan Students Pay the Largest Share of University Expenses (2015)

	State Funding Per Student (FTE)		Net Tuition Per Student (FTE)		Student Share of College Expenses	
State	Dollars	National Rank	Dollars	National Rank	Percent	National Rank
Michigan	**$5,531**	**37**	**$12,383**	**3**	**69%**	**6**
Ohio	$5,320	39	$8,151	15	61%	14
Iowa	$5,945	30	$8,912	11	60%	16
Minnesota	$5,988	28	$8,138	16	58%	18
Indiana	$5,593	36	$7,283	21	57%	20
Wisconsin	$6,239	26	$5,725	34	48%	30
Illinois	$11,627	4	$5,287	39	32%	47

Source: State Higher Education Executive Officers (SHEEO): State Higher Education Finance FY15 Wave Charts (http://www.sheeo.org/sites/default/files/State_by_State_Wave_Charts_FY15_0.xlsx, accessed June 20, 2016)

FIGURE 6

Students of Color Have Higher College Debt



	White	African-American	Latino	Other
Child or grandchild	$5,121	$9,512	$12,102	$8,467
Spouse	$7,561	$2,166	$4,120	$5,704
Self	$18,685	$32,047	$15,853	$12,935

Source: Urban Institute calculations using the 2014 Survey of Household Economics and Decisionmaking (SHED); Figures are for students age 25-55

FIGURE 7

Total Cumulative Amount Borrowed by Graduates in the Class of 2012, by Institution Type

Institution Type	$0	$1-$5,999	$6,000-$12,399	$12,400-$24,299	$24,300 or more
Private not-for-profit 4-year	26%	4%	7%	18%	45%
Private for-profit 4-year	12%	3%	5%	18%	62%
Private for-profit 2-year	14%	11%	28%	30%	17%
Public 4-year	37%	7%	11%	16%	29%
Public 2-year	61%	12%	12%	10%	6%

Source: Center for Responsible Lending calculations using the 2012 National Postsecondary Student Aid Study data from the National Center for Education Statistics

defaults.[6] In addition to the larger debt burden students at for-profit schools carry, factors in the high default rate might also be the higher likelihood of such students to experience substantial unemployment since leaving school, and the lower earnings they have six years after starting college than their counterparts at public and nonprofit institutions.[7]

STATE FINANCIAL AID FALLS FAR SHORT OF NEED

As data shows, tuition is rising very rapidly, Pell Grants do not cover a large enough portion of costs by themselves to keep college affordable for low-income students, and student loans with high interest rates are resulting in unprecedented levels of student debt. These factors make it imperative that Michigan maintain a robust need-based financial aid system, yet policymakers have been doing the opposite. The state invests far less in need-based grants proportional to its student population than most other states and has completely eliminated state financial aid for students over age 30 attending a public community college or university.

One indicator of whether a state is spending enough on financial aid is the number of dollars spent on such grants per FTE student. The national average of state spending on need-based grants is $533 per FTE undergraduate student, yet Michigan spends only 42% of that amount ($223) and only one-quarter of the $870 that Indiana spends (Fig. 8).

This has not always been the case. In the early 1990s, Michigan was among the top ten states in need-based financial aid spending. Since then, however, the state's investment has fallen by more than half when adjusted for inflation and Michigan is now in the bottom half of states for need-based grant spending per FTE undergraduate student (Fig. 9).

FIGURE 8

Michigan Spends Less Per Student on Need-Based Financial Aid Than Most Midwestern States, 2013-14

State	Estimated Dollars Per Undergrad FTE	National Rank
Indiana	$870	5
Minnesota	$736	8
Illinois	$710	10
U.S. Average	***$533***	**—**
Wisconsin	$495	15
Iowa	$256	26
Michigan	**$223**	**30**
Ohio	$165	36

Source: National Association of State Student Grant and Aid Programs, Repository—Annual Surveys (http://www.nassgap.org/viewrepository.aspx?categoryID=3#, accessed July 17, 2016)

In addition, while Michigan's three need-based higher education grant programs are available to "traditional" college students who begin attending immediately or soon after high school graduation and are not raising families, there are no state financial aid programs to help students attend public community colleges or universities if they have been out of high school for more than 10 years. Two of the three existing grant programs explicitly exclude such individuals from eligibility, and the third is available only to those attending a private, not-for-profit institution:

- **Tuition Incentive Program:** Eligibility rules require applicants to apply prior to high school or GED completion and before their 20th birthday, and the award must be used within 10 years of high school or GED completion—effectively preventing anyone older than age 28-30 from using the award.
- **Michigan Competitive Scholarship:** Workers are ineligible if they are out of high school for more than 10 years, preventing students who graduated "on time" at age 18 from using the award once they pass age 28.
- **Michigan Tuition Grant:** Workers and parents of any age are eligible, but their postsecondary education must be at a private not-for-profit institution. It is not available for use at community colleges, which offer programs specifically designed for students who are working or raising families.

Another aspect of Michigan's three grant programs is detrimental to the growing number of students who are working parents even if they are otherwise eligible: none of the three current grant programs are available to students enrolled less than half time or who are in short-term occupational programs. Students who are juggling employment, family and school must often go less than half time or enroll in a short-term program due to having to work and care for family members. While low-income adult students are likely to need employment to support their families and finance their education, working more than a few hours at a job can often result in lower grades and even dropping out. But not having financial aid may discourage adult learners from going to school less than half time. For many workers, this pits work and school against each other, with both often suffering.

In 2010, the Michigan Legislature eliminated a number of grant programs that were available to adult learners: the Part-Time Independent Student Grant, the Michigan Educational Opportunity Grant, the Michigan Nursing Scholarship and the state Work-Study program. In 2015, the Michigan Senate included $6 million in state budget funding for the Part-Time Independent Student Grant for the 2015-16 school year, but this was removed from the final appropriations bill.

For more on Michigan's need-based financial aid funding and awards, please see the appendices.

FIGURE 9

Michigan's Need-Based Grant Spending Fails to Keep Up with Enrollment and Inflation

Year	Undergrad FTEs	Dollars Spent Per Undergrad FTE	National Rank	Dollars Spent Per Undergrad FTE (1992 dollars)*	Percent Change Since 1992 (1992 dollars)
1991-92	257,292	$303	9	$303	0%
1992-93	261,887	$288	9	$281	-7%
1993-94	252,548	$316	10	$299	-1%
1994-95	251,623	$323	11	$296	-2%
1995-96	247,654	$340	11	$303	0%
1996-97	242,494	$354	10	$308	2%
1997-98	242,494	$373	12	$317	5%
1998-99	248,972	$371	13	$308	2%
1999-00	248,972	$366	14	$294	-3%
2000-01	338,862	$301	18	$234	-23%
2001-02	345,970	$307	17	$234	-23%
2002-03	374,800	$255	19	$190	-37%
2003-04	389,058	$236	25	$173	-43%
2004-05	397,698	$231	28	$165	-45%
2005-06	405,870	$214	29	$147	-51%
2006-07	411,380	$216	30	$146	-52%
2007-08	405,775	$223	32	$148	-51%
2008-09	424,606	$220	33	$147	-52%
2009-10	456,019	$103	41	$68	-78%
2010-11	464,999	$182	32	$117	-61%
2011-12	449,233	$194	32	$122	-60%
2012-13	435,255	$211	39	$130	-57%
2013-14	426,556	$223	30	$136	-55%

*Estimates of 1992 dollars use the Detroit CPI-U on a fiscal year basis.
Source: National Association of State Student Grant and Aid Programs, Repository—Annual Surveys (http://www.nassgap.org/viewrepository.aspx?categoryID=3#, accessed July 17, 2016)

POLICY RECOMMENDATIONS TO REDUCE COLLEGE COSTS AND STUDENT DEBT

Michigan legislators should make the following policy changes to make postsecondary education more affordable for its residents, both traditional college students age 18-24 and the growing number of nontraditional students who often have full-time jobs and families to support.

1) Restore the state funding that has been cut from public universities and community colleges over the past several years, coupling significantly increased budget funding for higher education institutions with stronger tuition restraint or tuition reduction requirements on the schools.

2) Enact legislation to require clear and accurate information in the recruitment materials of for-profit colleges (including online colleges without a physical location in Michigan) regarding student loans, educational quality, job placement and expected earnings. Ensure that the Michigan Attorney General has enforcement powers in this area and that students have the right to seek redress for noncompliance or law violations.

3) Make need-based financial aid grants available to older workers by:

    a. Reauthorizing funding for the Part-Time Independent Student Grant and/or the Educational Opportunity Grant, both of which were specifically designed to serve adult learners in a wide variety of circumstances.

    b. Modifying the eligibility rules of the Michigan Competitive Scholarship and/or the Tuition Incentive Program to allow older workers to qualify and to allow the money to be used for less than half-time enrollment or for short-term occupational programs.

4) Ensure that there is financial aid help for students going to college less than half time or who are in short-term programs.

5) Implement a state Work-Study program that subsidizes academically relevant work for low-income adult students while paying a livable wage. Studies have shown that working students are less likely to drop out or suffer academic setbacks if their work is related to their courses of study. Although the traditional Work-Study program was ended in 2010, Michigan could replace it with a carefully targeted program that connects employment with academics.[8]

6) Support policies that can help alleviate hardship for low-income students, including policies that permit low-income students to receive public assistance such as cash assistance, food assistance or subsidized child care.

ENDNOTES

1. The Institute for College Access & Success, *Student Debt and the Class of 2014*, October 2015.
2. Braga, Breno, *Racial and Ethnic Differences in Family Student Loan Debt*, Urban Institute, July 2016.
3. Smith, Peter & Leslie Parrish, *Do Students of Color Profit from For-Profit College? Poor Outcomes and High Debt Hamper Attendees' Futures*, The Center for Responsible Lending, October 2014.
4. Ibid.
5. Ibid.
6. Ibid.
7. Deming, David J., Claudia Goldin, and Lawrence F. Katz, *The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators?*, Journal of Economic Perspectives—Volume 26, Winter 2012.
8. For more information, see Alstadt, D., *Earn to Learn: How States Can Reimagine and Reinvest in Work-Study to Help Low-Income Adults Pay for College, Enhance Their Academic Studies, and Prepare for Post-College Careers*, The Working Poor Families Project, Spring 2014.

APPENDIX A

Funding for Michigan Need-Based Grant Programs, 2003-2017

Year	MI Competitive Scholarship	MI Tuition Grant	Tuition Incentive Program	Part-Time Independent Student Grant	MI Educational Opportunity Grant	MI Nursing Scholarship	Work-Study	Total
2003	$39,405,643	$60,583,353	$8,873,423	$2,744,029	$2,212,064	$3,911,565	$7,562,825	$125,292,902
2004	$39,605,384	$52,996,579	$11,281,720	$2,645,688	$2,081,429	$3,920,626	$6,655,415	$119,186,841
2005	$37,425,962	$53,989,044	$11,705,482	$2,618,961	$2,042,376	$4,011,718	$7,114,256	$118,907,799
2006	$34,573,693	$51,094,356	$14,694,653	$2,641,895	$2,066,572	$3,964,549	$6,895,529	$115,931,247
2007	$37,030,387	$50,961,457	$17,600,277	$2,640,154	$2,080,560	$4,257,060	$6,930,902	$121,500,797
2008	$37,071,451	$53,088,352	$21,798,128	$2,636,407	$2,076,524	$4,447,010	$6,797,457	$127,915,329
2009	$38,444,428	$54,864,134	$26,678,698	$2,645,980	$2,084,057	$4,444,154	$6,967,592	$136,129,043
2010	$21,377,766	$25,480,385	$31,519,636	$0	$0	$0	$0	$78,377,787
2011	$24,794,191	$25,151,099	$34,650,729	$0	$0	$0	$0	$84,596,019
2012	$23,765,771	$25,165,137	$38,367,536	$0	$0	$0	$0	$87,298,444
2013	$18,361,700	$31,664,700	$43,800,000	$0	$0	$0	$0	$93,826,400
2014	$18,361,700	$31,664,700	$47,000,000	$0	$0	$0	$0	$97,026,400
2015	$18,361,700	$33,500,000	$48,500,000	$0	$0	$0	$0	$100,361,700
2016	$18,361,700	$33,500,000	$48,500,000	$0	$0	$0	$0	$100,361,700
2017	$18,361,700	$34,486,000	$53,000,000	$0	$0	$0	$0	$105,847,700

Source: Michigan House and Senate Fiscal Agencies

APPENDIX B

Students Receiving Need-Based Grant Program Awards, 2003-2015

Year	MI Competitive Scholarship	MI Tuition Grant	Tuition Incentive Program	Part-Time Independent Student Grant	MI Educational Opportunity Grant	MI Nursing Scholarship	Work-Study	Duplicated Total
2003	29,513	36,961	5,422	6,998	5,184	1,362	5,918	91,358
2004	29,485	37,045	6,529	8,047	4,395	1,389	5,704	92,594
2005	28,580	37,958	7,637	6,362	4,193	1,387	5,549	91,666
2006	26,434	35,942	9,046	6,548	4,635	1,379	5,477	89,461
2007	27,802	34,141	10,462	6,037	4,299	1,483	4,938	89,162
2008	27,885	35,518	12,041	6,008	4,503	1,595	5,130	92,680
2009	28,832	35,660	13,957	5,868	4,435	1,546	5,583	95,881
2010	32,220	23,520	15,558	0	0	0	0	71,298
2011	34,943	22,269	16,424	0	0	0	0	73,636
2012	34,416	21,827	17,266	0	0	0	0	73,509
2013	33,891	22,226	18,166	0	0	0	0	74,283
2014	31,161	22,642	17,989	0	0	0	0	71,792
2015	29,527	21,893	18,189	0	0	0	0	69,609

Source: Michigan Department of Treasury

Eligibility Restrictions on Michigan's Need-Based Grants that Affect Adult Learners

Program Name	Program Comments	Restrictions on Age	High School Diploma Required?	Short-Term Occupational Program Eligibility?	Half-Time Students Eligible?	Below Half-Time Students Eligible?	Maximum Award for Academic Year (2015-16)
Michigan Competitive Scholarship	Includes merit component for eligibility (ACT score & GPA).	Ineligible if out of high school more than 10 years.	Yes	No	Yes	No	$636 Public Institution/ $1,830 Private Institution
Michigan Tuition Grant	Provides assistance for attending an independent, not-for-profit institution.	None	Yes	No	Yes	No	$1,830
Tuition Incentive Program	Medicaid-eligible students only. Phase 1 is for an Associate Degree or certificate; Phase 2 is for continuation in 4-year degree program.	Must apply before 20th birthday and HS/ GED completion, and used within 10 years of HS/ GED completion.	Yes	No	Yes	No	All expenses for Associate Degree or certificate; $2,000 for continuation at 4-year institution.

Sources: Michigan Department of Treasury; National Association of State Student Grant and Aid Programs