

State Investment in Need-Based Student Financial Aid Programs Improves College Access

The State of Michigan's primary role in higher education is the allocation of support for its public universities and community colleges in order to mitigate the cost of attendance for all students. Unfortunately, the long term trend of state disinvestment in higher education has resulted in many lower- and middle-income families confronting unmet financial need at public institutions, even after factoring in federal grants and loans. Income-targeted state grant programs are important tools in addressing the gap between family resources and public college costs. Regrettably, despite tremendous investments by the public universities in the provision of institutional need-based grants, steep cuts made to Michigan's student financial aid programs have diminished the ability for lower-income families to afford a college education. State financial aid appropriations peaked in 2002 at \$262 million, and are less than half of that today. Adjusting for inflation, this is a 65 percent reduction in direct support for the state's students who are trying to establish solid economic futures. Analysis by the National Association of State Student Grant and Aid Programs shows that Michigan ranked 39th in the nation in 2016 for grant aid per student at a paltry \$266.ⁱ Still more challenging, for the last two remaining general purpose state financial aid programs, the Michigan Competitive Scholarship and Michigan Tuition Grant, only 29 percent of award funds went to students attending the state's public universities and community colleges,ⁱⁱ compared to a national average of 76 percent of state grant dollar distribution going to students attending public institutions.ⁱⁱⁱ

State student financial aid programs were originally designed to assist low-income students, but in many states have shifted to emphasize academic merit over financial need. The critical policy difference between the two types of aid is that need-based aid, if properly devised, actually increases the number of students who can participate in higher education because they would otherwise be unable to afford college costs. Academic merit-based aid, in contrast, lessens out-of-pocket costs for students who likely would have participated in college anyway. In terms of net output, therefore, merit-based state student grant aid programs are a less efficient use of scarce state resources than need-based aid. They are also invariably regressive in that they benefit students from wealthier backgrounds at the expense of those from lower-income households. Need-based institutional financial aid further enhances college affordability for thousands of students attending the state's public universities, and is a major university expense since the state has disinvested in financial aid over many years.

Policy Actions:

- Increase state investment in need-based student financial aid programs that promote access for lower-income students.

- Boost, through new investment rather than redirection, the share of state financial aid directed to students attending the state's public postsecondary institutions, which are generally more affordable.

ⁱ Source: 47th Annual Survey Report on State-Sponsored Student Financial Aid, 2015-2016, National Association of State Student Grant and Aid Programs (NASSGAP). Viewable at nassgap.org.

ⁱⁱ Source: Michigan Department of Treasury Student Financial Services Bureau, *Student Scholarships and Grants 2015-2016 Annual Report*, 2016. Available:
http://www.michigan.gov/documents/mistudentaid/5336_SSG_Annual_Report_2016_Completed_552008_7.pdf

ⁱⁱⁱ NASSGAP report.