



## OFFICE OF THE STATE BUDGET FEBRUARY 12, 2009

### Higher Education Student Financial Aid Reform

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**Proposal:** The Governor proposes consolidating most state student financial aid funding under two basic programs – the merit-based Michigan Promise Grants and the new need-based Michigan College Access Grants. This restructuring of most state financial aid programs will simplify how students obtain financial assistance for college and reduce administrative costs. Overall, financial aid for students is increased a net of \$41.5 million.

#### **Michigan College Access Grants**

Fiscal year 2010 funding of \$89.8 million is recommended for the new Michigan College Access Grants. Six current student financial aid programs are consolidated into one streamlined, needs-based program for undergraduate students enrolled at any Michigan public or independent college or university.

Need is determined by using the federal methodology for calculating the Expected Family Contribution (EFC) toward college costs obtained from each student's annual Free Application for Federal Student Aid (FAFSA) submission. The federal methodology takes into account various factors such as the income of students and parents, family assets, and the number of students in college. For academic year 2009-2010, the eligibility for a College Access Grant is established at an EFC of \$7,750 or less. Based on recent FAFSA submissions, the majority of students from families with an adjusted gross income of up to \$80,000 would qualify.

The final award amount will be set by the Michigan Higher Education Assistance Authority based on the number of eligible students, but it is projected that the award for a full-time student will be approximately \$1,000 with at least 89,000 students receiving an award.

#### **Michigan Promise Grants**

Merit-based Michigan Promise Grants are retained at a total of \$140 million, an increase of \$59.5 million. Students receiving a qualifying score on the Michigan merit exam receive \$1,000 for each of their first and second years of college enrollment and an additional \$2,000 after completing two years of college. Students not scoring highly on the exam but successful in college receive \$4,000 after completing two years in college.

Remaining student financial aid programs include:

#### **Tuition Incentive Program (TIP)**

TIP encourages low-income Medicaid eligible students to finish high-school by providing financial assistance to attend college. TIP funding is increased by \$6.0 million to \$31.2 million.

#### **Children of Veterans Tuition Grants**

This program assists children of deceased and disabled veterans and is funded at \$1 million.