

PRIMER AND EQUITY ANALYSIS: Centering Students in Michigan's Financial Aid Programs

NOVEMBER 2021

Acknowledgments

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This report was researched and written by TICAS' Manon Steel and Catherine Brown and The Century Foundation's Denise Smith and Peter Granville, with support from TICAS' Jessica Thompson, Kate Tromble, Lindsay Ahlman, Shannon Serrato, and Angelique Palomar.

The authors would also like to express its appreciation to the following individuals and organizations for their generosity of time and valuable suggestions: Alisha Cederberg, Kalamazoo Valley Community College; Linda Berlin and Todd Neibauer, Northwestern Michigan College; Dan Hurley, Michigan Association of State Universities; Colby Cesaro and Shannon Dunivon, Michigan Independent Colleges and Universities; Erin Schor, Michigan Community College Association; Brandy Johnson, Michigan Department of Labor and Economic Opportunity; Peter Ruark, Michigan League for Public Policy; Onjila Odeneal, DetroitCAN; Dan Quinn and Chuck Wilbur, Public Policy Associates; Brittani Williams, The Education Trust; Dr. Elizabeth Bell, Florida State University; and Dr. Kelly Ochs Rosinger, Pennsylvania State University. All mistakes are our own.

The project was supported by Ballmer Group, The Joyce Foundation, The Kresge Foundation, and The Skillman Foundation. We are grateful to our foundation partners and individual donors whose support makes TICAS and The Century Foundation's work possible. The views expressed in this paper are solely those of TICAS and The Century Foundation and do not necessarily reflect the views of our funders.

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Executive Summary

To ensure that Michigan's workforce has the skills needed for the modern economy, the state's leaders must build a financial aid system that helps families cover college costs. However, disjointed program designs, maintenance restrictions, and administrative barriers diminish the effectiveness of Michigan's eight state financial aid programs in reaching this vital goal. In this report, we examine how the fine print of these programs place unnecessary hurdles between students and the aid they need, in ways that are likely to compound inequities in college access by race and income. This report serves as a primer on the state's financial aid programs and a policy blueprint for streamlined and equitable aid for Michigan's future.

Introduction

Communities with more college degrees have higher incomes, less reliance on social services, and greater economic growth.¹ This fact is largely due to the long-term economic shift leading to an education-driven workforce: 11.5 of the 11.6 million jobs created following the economic recovery of the Great Recession have gone to workers with at least some postsecondary education.² According to the Michigan Department for Labor and Economic Opportunity, "more than 75% of all Michigan jobs will soon require at least some education beyond high school."³ That is why the state has set the goal of 60% of Michigan's working age adults having a college degree or skills certificate by 2030. Impeding the state's ability to reach this goal, however, are persistent and stark disparities in college completion, higher than average tuition and fees, and insufficient financial aid to make college more affordable, particularly for low-income students and students of color.

Increasing Costs, Increasing Debt

While a college degree has never been more important, it has also become increasingly unaffordable. The cost of attending college in Michigan has more than doubled in real dollars over the last two decades and state-sponsored financial aid has not kept pace.⁴ Between 2008 and 2018, tuition at Michigan's public four-year institutions rose by over 30 percent while the share of state-based appropriations going to financial aid decreased from 6.4 percent to 0.3 percent.⁵ Today, Michigan has the highest median public university and community college tuition and fees in the Midwest and spends less on need-based financial aid than every state but Ohio.⁶ Michigan also ranks near the bottom nationally in the percent of state budgets allocated to need-based financial aid which, unlike merit-based aid, targets students who have the greatest financial need.⁷ These trends, alongside flat household incomes, mean that the annual cost of attending a four-year public college, after grant aid is applied, can take up more than two-thirds of a low-income family's total income. While the net cost of attending two-year public institutions is much lower, similar disparities in net price as a share of total income exist.⁸

When college costs exceed a family's ability to pay, they often borrow to attend. Federal student loans are critical for enabling access and completion for students who would otherwise not be able to meet college costs, but the long-term costs and consequences of student loan debt can be high for borrowers. Low-income and Black undergraduates are more likely to graduate with debt, to leave with higher debt levels, and to struggle to repay that debt.⁹ This can have lifelong financial consequences. Increasing college affordability is the most effective way to reduce the need for students to borrow.

College Completion Gaps

Michigan is full of unrealized potential to increase overall educational attainment. Around 90 percent of Michiganders over the age of 25 have a high school diploma, while around 30 percent have a bachelor's degree.¹⁰ There is particular promise for increasing attainment in closing persistent equity gaps in completion by income and by race. One-third of Michigan undergraduates receive federal Pell grants, which support students with significant financial need; yet just half of those students earn a bachelor's degree, compared to nearly 75 percent of their higher-income peers.¹¹ Bachelor's degree attainment rates among Michiganders who are Black or Latino/a likewise lag behind: of the bachelor's degrees awarded between 2019 and 2020, 7 percent went to Black students, 5 percent went to Latino/a students, and over 70 percent went to white students.¹² In fact, the number of bachelor's degrees awarded to Black students in Michigan would need to double to match state demographics.¹³

Increasing economic opportunities for all Michiganders will require a concerted effort to raise college completion and close completion disparities by income and by race. The question of how the state can better reach its degree attainment goal is especially timely in light of the federal government's distribution of unprecedented aid to states to confront the fallout of the COVID-19 pandemic, including over \$5.6 billion for Michigan in American Rescue Plan (ARP) dollars. These funds could be used to improve college affordability.¹⁴ State lawmakers must find the best way to wisely invest these funds on behalf of all Michiganders and new investments in financial aid should be one essential component of recovery efforts.

Decades of financial aid research offers clear instructions for Michigan policymakers who want to ensure that existing and new investments in financial aid are effective and lead to high returns for students and the state, as well as fuel progress in closing equity gaps in attainment and economic mobility. The most successful financial aid programs determine eligibility based on financial need with very few other eligibility requirements, are clearly communicated, easily applied for and renewed, cover the full cost of attendance, and include few other eligibility requirements. Policymakers have a unique opportunity to invest significant new resources that will reduce the need for students to borrow, accelerate progress toward state educational attainment goals, and fundamentally increase the ability of higher education to fulfill its promise as the equitable engine of economic mobility needed to support the state's current and future economy.

This report has four primary aims:

- » Highlight evidence-based principles for effective financial aid design.
- » Provide an inventory of Michigan's existing state financial aid programs, including eligibility criteria, award amounts, award duration, total spending per year, and other key design elements.
- » Evaluate and discuss each program on the basis of efficacy and equity using criteria developed by The Education Trust and Kelly Ochs Rosinger and Jilailing Wang at Penn State University and Katherine Meyer at Brown University.
- » Provide policy recommendations for improving the design of financial aid in Michigan.

“Overly complex and inadequate financial aid most acutely affects underrepresented students - low income students, students of color, and adult students - contributing to persistent completion gaps nationally and in Michigan.”

Financial Aid: What Works?

Research clearly shows that financial aid is essential to help students enroll in and complete college.¹⁵ The need for additional investments in grant aid by the federal government, state governments and colleges is clear and urgent given the increasing costs of college and corresponding student debt levels. Furthermore, how financial aid programs are designed and administered matters significantly and can impact take-up rates as well as ongoing participation.¹⁶ For example, some recent and popular programs that are marketed as “free tuition” do not cover the full costs of attending college, which may limit their efficacy in increasing educational attainment.¹⁷

Specifically, research shows that financial aid programs that require students to first exhaust their federal aid (often referred to as ‘last dollar’ programs), programs that cannot be used towards expenses like room and board, books and supplies, or transportation, and programs that impose grade point average or other merit-based criteria are inherently limited in their ability to reduce barriers to enrollment, persistence and completion among the students in greatest need. Such requirements also undermine a hallmark of effective financial aid programs: clear, simple, and early communication to potential recipients.

Key lessons from financial aid research include:

1. **Compared to other forms of aid, need-based grant programs are the most effective at improving academic performance and long-term outcomes for low-income students.**¹⁸ Merit-based grant aid and education-related tax credits tend to more heavily favor higher income families and don’t have as strong of a record of expanding access to higher education for low-income students and students of color.¹⁹ While federal student loans are helpful to some, they can come with long-term consequences that can undermine their potential benefits, particularly for low-income students and Black students.²⁰
2. **Larger award levels are associated with greater academic achievement. Research shows that a \$1,000 increase in an award is associated with an average 2-4 percent increase in bachelor degree attainment among low-income students.**²¹ As college prices continue to rise and students must increasingly juggle work with completing their degree²², the ability of financial aid to adequately cover the cost of attending college becomes increasingly important.
3. **Simple processes for accessing and retaining aid can increase the program’s impact.** Experts in the field have become increasingly concerned with how the

onerous process of accessing and maintaining financial aid affects student take-up. For example, the length and complexity of the FAFSA has been found to be a deterrent to some students accessing aid.²³ In short, the simpler the process for attaining and retaining aid, the greater its effect on college-going.²⁴

4. **Programs that clearly and proactively communicate to students are easier to access.** Equally important is reducing the amount of time students must spend learning about programs. Effective communication about available programs reduces the time students must spend learning about programs and makes them easier to access.²⁵
5. **Financial aid coupled with student support systems have the greatest impact on college enrollment, persistence, and completion.**²⁶ Student support can take several forms, including providing students with personalized award information²⁷, providing adequate counseling in high school²⁸, and/or providing mentoring and career guidance in college²⁹.

Overly complex and inadequate financial aid most acutely affects underrepresented students - low income students, students of color, and adult students - contributing to persistent completion gaps nationally and in Michigan. The degree to which state financial aid programs sufficiently address college costs and other student needs in Michigan, and whether financial aid in Michigan is simple to understand and access, are key considerations for policymakers working to improve degree attainment through changes to existing programs and new investments.

Landscape: Existing Michigan Financial Aid Programs

Like many states, Michigan has a patchwork of financial aid programs that serve different populations, have different goals, and operate with different rules. This section describes the basic elements of each program, including eligibility criteria and the level of benefit. It is important to note that while many of these programs may be used together, they do not complement each other in that, because of their limitations, most students cannot combine program benefits to the point of covering the full cost of college.

Tuition-Free Programs

Tuition-free programs are designed to cover the entire cost of tuition and mandatory fees for eligible students. However, “free college” programs may not cover the full cost of attendance or may have complicated eligibility criteria, leaving students with unexpected bills. For example, the coverage of mandatory fees is **not** the coverage of the full cost of fees. Michigan students who are eligible for tuition free programs are still expected to pay course-specific fees, lab fees, etc. which can add thousands of dollars to a student’s bill.³⁰

The **Tuition Incentive Program (TIP)** provides first dollar aid, meaning it is provided to students before federal financial aid to over 25,000 students each year.³¹ To be eligible for the program, students must have enrolled in Medicaid for twenty-four months within a thirty-six month period between age nine and high school graduation. Phase I of the program covers the credit hour cost of tuition, plus mandatory fees up to \$250 per semester, at an in-district community college. TIP eligible students who live outside of a community college district or whose community college does not offer the program they need may use their award at an out-of-district institution. Phase II covers \$500 per semester or \$400 per term after the first two years, or fifty-six credits, of study. While



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this program is one of Michigan's most generous and best-targeted, it also has some limitations. TIP students must start using their awards within four years of high school graduation and all program eligibility ends ten years after initial enrollment. Generally, TIP students cannot use their Phase I awards at most four-year institutions, however, TIP does cover full tuition at four year universities that offer associates degrees. In these instances, the TIP award is substantially more generous than it is at two-year public colleges.

Michigan Reconnect and **Futures for Frontliners (F4F)** were created in 2020 to help the state achieve its goal of 60 percent of working age adults in Michigan having a college degree or skills certificate by 2030. **Michigan Reconnect** is targeted at adult learners aged 25 and older and **Futures for Frontliners** provides aid for individuals who worked in essential industries³² outside of the home during the statewide COVID-19 shutdown of spring 2020 (April 1 - June 30) and who do not already have a college degree. Both programs cover in-district tuition and mandatory fees at Michigan community colleges. Both programs are last dollar, meaning they are applied after federal grant aid and make up any remaining costs owed by the student in excess of the federal Pell Grant. Both require students to complete an application on top of FAFSA in order to receive an award, maintain a 2.0 GPA after the first year, and earn twelve credits within each twelve-month period, starting from the first semester of enrollment. Michigan Reconnect offers counseling via the ten Reconnect Navigators who assist students in applying to a community college, submitting the FAFSA, selecting a program of study that aligns with a career goal, registering for classes, identifying community based financial resources, and creating a plan to graduate. As of May 2021, 67,000 students have applied for Michigan Reconnect.³³ More than 120,000 prospective students applied for Futures for Frontliners.³⁴ Of these, about 85,000 met the eligibility criteria with 15,500 enrolling for the first semester by August 2021.³⁵

The **Police Officer's and Firefighters' Survivor Tuition Waiver** is Michigan's smallest financial aid program, serving six students in 2020.³⁶ This last dollar program waives tuition for courses towards a degree or certificate for children and surviving spouses of Michigan police officers and firefighters killed in the line of duty at any public institution. To qualify, students must demonstrate financial need, provide satisfactory evidence that they are eligible for the program, have not yet completed a bachelor's degree, be under the age of 21 at the time of the officer or fire fighters death (for children), and apply for the first time before the age of 26. The award lasts until the student completes a bachelor's degree, nine semesters, or 14 terms.

TABLE 1. MICHIGAN TUITION-FREE FINANCIAL AID PROGRAMS

Title	Scale and Scope	Basic Eligibility	Basic Limitations
Tuition Incentive Program (TIP) (1987)	Funding: \$71,300,000 Volume: 25,505 Award: Phase I - Cost of tuition and mandatory fees up to \$250 Phase II - \$500 per semester or \$400 per term	Students must have had Medicaid coverage for 24 months within a 36 month period between age 9 and high school graduation.	<ul style="list-style-type: none"> • Must access within four years of high school graduation • All program eligibility expires 10 years after initial enrollment • Cannot use Phase I award at four-year institution
Michigan Reconnect (2020)	Funding: \$55,000,000 Volume: NA Award: In-district tuition and mandatory fees	<ul style="list-style-type: none"> • Students aged 25+ • Have not yet completed a college degree • Maintain 2.0 GPA 	<ul style="list-style-type: none"> • Out-of-district students pay difference in tuition • Difficult to maintain eligibility • Award ends four years after eligibility has been determined • Last dollar
Futures for Frontliners (F4F) (2020)	Funding: \$25,000,000 Volume: 15,500 Award: In-district tuition and mandatory fees	<ul style="list-style-type: none"> • Worked in essential industries outside the home during the state COVID-19 shutdown of Spring 2020 • Have not yet completed a college degree 	<ul style="list-style-type: none"> • Out-of-district students pay difference in tuition • Difficult to maintain eligibility • Award ends four years after first treasury payment • Last dollar
Police Officer's and Firefighters' Survivors Tuition Waiver (1996)	Funding: \$80,920* Volume: 6 Award: Tuition waived for courses towards degree/certificate	Children and surviving spouses of MI police officers and firefighters killed in line of duty	<ul style="list-style-type: none"> • Must apply for first time before age 26 • Eligibility ends after student has received Bachelor's degree • Last dollar

*Appropriations for CVTG and the Police Officers and Firefighters Survivor Tuition Waiver are combined in the FY22 budget. This is a projection of funding based on expenditures from the 2019-2020 academic year. Please go to https://www.michigan.gov/documents/mistudentaid/2020_Annual_Report_Coming_Soon_715981_7.pdf for more information.

Tuition Assistance Programs

Tuition assistance programs are designed to provide financial assistance towards covering the cost of college. For some, the funds are restricted to tuition and fees while others are first dollar and may be used to help cover the full cost of college.

The **Michigan Competitive Scholarship (MCS)** and **Michigan Tuition Grant (MTG)** are two of the oldest continuing Michigan student financial aid programs and serve 28,819 and 14,338 students respectively.³⁷ MCS is a merit and need-based, first dollar \$1,000 annual scholarship which requires a demonstration of scholastic achievement and financial need to qualify. Students must maintain a minimum 2.0 GPA to remain eligible. MTG is an annual first dollar award of \$2,800 for students who attend a Michigan independent college and demonstrate financial need. The MCS ends ten years after eligibility is determined, which is often considered high school graduation,

and is restricted to tuition and mandatory fees. A student is eligible for the MTG for 10 semesters (or five years) and it may be taken by students of all ages as long as they qualify financially. If a student is eligible for the MCS, but chooses to attend a private college, \$1,000 of the MTG award is funded out of the MCS budget. COVID-19 impacted students may be qualified to receive the MCS under a broader demonstration of scholastic achievement and use their MTG for up to 11 years.

The **Children of Veterans Tuition Grant (CVTG)** provides up to \$2,800 for students who are children of a Michigan veteran who has died or become totally and permanently disabled as a result of military service. This award is first dollar and can be used towards covering the full cost of college. These students must be between the ages of 16 and 26, provide proof of the parent-child relationship, and proof of disability or death due to service-incurred causes. They may use the award up to four years or a total of \$11,200, whichever occurs first, as long as they maintain a minimum 2.25 GPA. The program served 446 students in FY2020.³⁸

The **Fostering Futures Scholarship** awarded \$3,000 for the 2020-21 academic year to 438 students who have been in foster care on or after their thirteenth birthday.³⁹ These last-dollar awards are able to be used towards tuition and mandatory fees, books and supplies, and room and board. The maximum award is determined annually by MI Student Aid and funding amounts vary based on need and other financial aid awards.

TABLE 2. MICHIGAN TUITION ASSISTANCE FINANCIAL AID PROGRAMS

Title	Scale and Scope	Basic Eligibility	Basic Limitations
Michigan Competitive Scholarship (MCS) (1964)	Funding: \$29,861,700 Volume: 28,819 Award: \$1,000 per academic year	<ul style="list-style-type: none"> SAT score of at least 1200 OR demonstrates scholastic achievement Demonstrate financial need Maintain 2.0 GPA for renewal 	<ul style="list-style-type: none"> Eligibility ends after student has received bachelor's degree or 10 years after eligibility has been determined Awards restricted to tuition and mandatory fees
Michigan Tuition Grant (MTG) (1966)	Funding: \$42,021,500 Volume: 14,338 Award: \$2,800 per academic year	<ul style="list-style-type: none"> Demonstrate financial need Enroll at independent non-profit four-year MI college or university 	<ul style="list-style-type: none"> Eligibility ends after 10 semesters Awards restricted to tuition and mandatory fees Cannot be used for religious study
Children of Veterans Tuition Grant (CVTG) (2005)	Funding: \$1,319,080* Volume: 446 Award: \$2,800 per academic year (or less based on enrollment)	<ul style="list-style-type: none"> Student must be between 16-26 Provide proof that veteran died or became totally and permanently disabled as a result of military service Maintain 2.25 GPA 	May receive scholarship for up to 4 years and a total of up to \$11,200, whichever comes first
Fostering Futures Scholarship (2008)	Funding: \$750,000 Volume: 438 Award: \$3,000 for Academic year 2020-21	Student must have been in Michigan foster care due to abuse/neglect on/before 13	<ul style="list-style-type: none"> Awards restricted to tuition and mandatory fees, books and supplies, and room and board Last Dollar

*Appropriations for CVTG and the Police Officers and Firefighters Survivor Tuition Waiver are combined in the FY22 budget. This is a projection of funding based on the expenditures from the 2019-2020 academic year. Please go to

https://www.michigan.gov/documents/mistudentaid/2020_Annual_Report_Coming_Soon_715981_7.pdf for more information.

(Mis)alignment of Michigan's Aid Programs

As the section above makes clear, Michigan state financial aid programs differ in their rules for qualifying and maintaining eligibility for the award. The lack of alignment between programs is costly for students and for colleges. Key differences across programs include:

- » **GPA requirement for maintaining awards:** Michigan Reconnect, Futures for Frontliners, MCS, and Children of Veterans Tuition Grant require a minimum GPA of 2.0 or 2.25 while the other programs require students to meet standard academic progress (SAP) to maintain their award after the first year.
- » **Review of GPA for maintaining aid:** Michigan Reconnect and Futures for Frontliners require financial aid counselors to go through a complicated process for reviewing participants' GPAs that includes separating out which classes are being paid for by each grant program and calculating students' GPAs by cohort for those classes. This process results in a cascade of compliance questions, and is significantly more complicated and burdensome to administer than the SAP process used by federal student aid and other Michigan state grant programs.
- » **Appeals process for remaining enrolled in the grant program:** Unlike the federal Pell Grant and other Michigan state aid programs, Michigan Reconnect and Futures for Frontliners do not offer an institution-level appeals process for students who do not pass the GPA review. Students who are struggling to succeed academically have no recourse to maintain their aid eligibility, even if they are facing health problems, new caregiving responsibilities, or other circumstances outside of their control. The state has recently launched a centralized process to consider leave of absence requests, which should provide somewhat more flexibility.
- » **Repayment responsibility in the event of withdrawal:** Michigan Reconnect and Futures for Frontliners prohibit colleges and universities from receiving reimbursement from the state in the event that a student withdraws from a course after the first year of enrollment in the program. The state further prohibits colleges from billing students for the first six months after that, but allows colleges to require students to reimburse them if they withdraw from a course (regardless of how well they are performing other courses or in the program overall) beyond that time period. This process punishes students who are struggling in a particular course, but may be otherwise succeeding academically and differs from the way other grant programs treat course withdrawals.

This complexity in program requirements has made it difficult for financial aid offices to automate financial aid awards and has led some to hire additional financial aid specialists to manage these programs. Other institutions with smaller financial aid offices manually calculate award amounts for each student. The programs whose rules differ most from the rest (Reconnect and Futures for Frontliners) serve students at community colleges, who are disproportionately adult students, students of color, and low-income students. Community college students also tend to have intermittent enrollment and switch between full and part time status.⁴⁰ In short, the complexity in administering these programs and enrollment patterns of the target students do not align, nor do they align with the other Michigan financial aid programs.

Equity Assessment: How Do Michigan's Aid Programs Fare?

Below, we apply a student-centered, equity framework to each of Michigan's financial aid programs, assessing key aspects of each program across the lifespan of the grant from ease of **initial enrollment**, to the **generosity**/scope of the award, to the requirements for **maintaining eligibility**. These categories represent key program design details that drive whether an aid program adequately serves students who face the greatest affordability burdens. The framework defines an equitable program as one that provides generous, well-targeted aid that is easy for students with financial need to both initially access and continue receiving throughout enrollment.

In developing this analysis, we drew on work by The Education Trust and Kelly Ochs Rosinger and Jialing Wang at Penn State University and Katharine Meyer at Brown University. Based on conversations with several financial aid experts in Michigan and a landscape review of Michigan's programs, we added and removed some criteria from these original frameworks to better reflect the Michigan context. For example, there is no known data to determine whether Michigan programs were engaged in proactive outreach, so that criteria was not assessed. Additionally, Michigan has no programs that provide mentoring in high school, or programs that required volunteer or service hours as a requirement, or limited a program to a certain area of study so those assessment criteria were irrelevant.

We use three primary categories for assessing program equity, detailed in the table below. Initial enrollment includes all the factors which contribute to students accessing the program for the first time, including filling out an application besides the FAFSA and meeting eligibility requirements. There are a total of eight criteria for this category. Continued enrollment has five criteria, which evaluate programs based on the ease of maintaining eligibility in the program once it has been awarded. The generosity criteria evaluates the programs based on the ability of the award to cover the full cost of college including living costs, all mandatory fees, duration, etc. There are a total of six criteria in this category.



It is important to highlight areas where Michigan's aid programs perform very well; none of them require participation in volunteer or other service projects and none of them limit awards to particular programs of study.

TABLE 3. FINANCIAL AID PROGRAM EQUITY ASSESSMENT

Category	Criteria
Initial Enrollment - Gaining access to the program for the first time	<ul style="list-style-type: none"> • Does Not Require Application (besides FAFSA) • There is No Deadline to Apply • Does Not Require Proof of Eligibility Beyond FAFSA • Separate Website with Program Information • There are No Age Restrictions • Does Not Require High School GPA/Test Score • Does Not Consider Students with Criminal Background Ineligible • Does Not Require Enrollment in College Within Specific Time Frame
Continued Enrollment - Maintaining access to the program	<ul style="list-style-type: none"> • Does Not Require Continued Application for Renewal • Provides Mentoring in College • Allows for Withdrawal • Does Not Require GPA Greater than Institutional SAP • There is a Financial Aid Appeals Process
Generosity - Providing for the full cost of college	<ul style="list-style-type: none"> • First Dollar • Covers All Mandatory Fees for All Recipients • Covers at Least Four Years of College • Estimated Award Amount Listed on Website • Covers Living Costs • Covers In-District and Out-of-District Tuition • Covers Tuition at four-year Colleges

Evaluation and Discussion

Each financial aid program in Michigan was evaluated based on whether it met the equity criteria detailed in the Financial Aid Program Equity Assessment above, and scored based on the number of criteria met. The table below summarizes the evaluations of each program for each category and overall. The aggregate score of the program was calculated by summing each program’s scores for each category (ie. Initial Enrollment + Continued Enrollment + Generosity = Aggregate Score). The highest possible score a program could receive is 20. The programs were then ranked on aggregate score. Tables describing the full analysis, including the components of each category, are in the appendix.

A few overarching themes emerge from this analysis. First, with all components taken together, Michigan’s financial aid system is complicated. There are eight programs in total and almost all of them operate with somewhat different rules. Second, the Michigan system has strong sector incentives, and students from low-income families are largely incentivized to go to community colleges. While community college is the right choice for many students, others may prefer to attend a four-year institution where, generally, completion rates and earnings upon graduation are higher. Third, state financial aid programs struggle in being able to cover the full cost of college due to their last dollar nature and coverage limitations (e.g. only being able to be used towards tuition and fees). The relative lack of generosity in state financial aid is mismatched to the high full cost of college, leading to high rates of student debt burden⁴¹ or

discouragement from enrolling. All of these limitations fall disproportionately on students of color and those from low-income families. To reach Michigan’s attainment goal, centering the state financial aid system around equity and inclusivity is key.

It is important to highlight areas where Michigan’s aid programs perform very well; none of them require participation in volunteer or other service projects and none of them limit awards to particular programs of study. These are requirements that are common in other states and make it more difficult to access aid and maintain eligibility, reducing overall equity and impact.⁴²

TABLE 4. EQUITY ASSESSMENT SCORE, BY PROGRAM

Program	Initial Enrollment (0-8)	Continued Enrollment (0-5)	Generosity (0-7)	Aggregate Score (0-20)	Aggregate Score Rank (1-8)
Tuition Free					
Tuition Incentive Program (TIP)	6.0	4.0	5.0	15.0	1
Michigan Reconnect	6.0	2.0	2.0	10.0	6
Futures for Frontliners	4.0	1.0	2.0	7.0	8
Police Officer’s and Fire Fighter’s Survivor Tuition Waiver	3.0	3.0	4.0	10.0	6
Tuition Free Average	4.8	2.5	3.3	10.5	
Tuition Assistance					
Michigan Competitive Scholarship (MCS)	3.0	3.0	5.0	11.0	5
Michigan Tuition Grant (MTG)	4.0	4.0	4.0	12.0	3
Children of Veterans Tuition Grant (CVTG)	2.0	3.0	7.0	12.0	3
Fostering Futures Scholarship	4.0	3.0	6.0	13.0	2
Tuition Assistance Average	3.3	3.3	5.5	12.0	
Total Program Average	4.0	2.9	4.4	11.3	

*All decimals have been rounded to the nearest tenth.

How easy is it to enroll?

In the initial enrollment category, the Tuition Incentive Program (TIP) and Michigan Reconnect have the highest equity score, by meeting six out of the eight criteria. The Children of Veterans Tuition Grant program met the fewest criteria (2). Overall, the tuition free programs earn an average score of 4.8 compared to the tuition assistance programs which only earn an average score of 3.3. Michigan does well in terms of prioritizing need-based aid (i.e. not using merit components like requiring a minimum

high school GPA or test score): only one program, the MCS, has this requirement. The state's programs particularly fall short in requiring students to enroll in college within a specific time frame; all but two of Michigan's financial aid programs require students to enroll in college within a specific time frame to receive their benefits. While some programs have more barriers to initial enrollment than others, it is important to **note that none of the programs meet eight out of the eight Initial Enrollment criteria**, indicating room for improvement for all programs.

How easy is it to stay enrolled?

In the continued enrollment category, TIP and MTG earn the highest scores (4 out of 5). Futures for Frontliners meets only one of the criteria: "does not require continued application for renewal". Michigan Reconnect is the only program to offer college mentoring, however, there are only ten Reconnect navigators to meet the needs of the program's 67,000 applicants, limiting the positive effects of this component. All of Michigan's financial aid programs could be improved by incorporating college mentoring to support student success. One thing Michigan does well in the continued enrollment category is not requiring continued application for renewal: only two programs require students to reapply for the award. However, despite the general lack of renewal applications, the average continued enrollment score of all programs is 2.9, **meaning that most programs do not include components which make it easier to maintain eligibility**. In this vein, the programs which are hardest to continue enrollment in, Michigan Reconnect and Futures for Frontliners, serve populations that have the greatest need for a simple process to maintain their awards and the highest risk for losing their awards due to intermittent enrollment patterns and a lack of students support resources at community colleges. **The mismatch between continued enrollment requirements and the student population served drastically reduces the programs' efficacy**. Tuition assistance programs do slightly better than tuition-free programs in removing obstacles to maintaining enrollment, but both types of programs are far from making continuing enrollment simple and straightforward for students.

How does aid stack up to full college costs?

In the generosity category, the Children of Veterans Tuition Grant meets all the criteria. Michigan Reconnect and Futures for Frontliners meet the fewest criteria (2 out of 6). The tuition assistance programs have a much higher average score of 5.5 compared to the tuition free programs which have an average score of 3.3. While many generally consider programs which cover tuition and mandatory fees to be the most generous, closer examination of these awards' ability to cover the full cost of college leaves them coming up short. One positive aspect of Michigan's programs is that all eight programs cover at least four years of college. However, **Michigan financial aid programs are inadequate in covering the full cost of college by not providing the flexibility to be used to cover living costs**. Only two programs allow for their awards to be used toward living costs.

This assessment of Michigan's financial aid programs underscores the equity implications of program design. Overall, the tuition assistance programs meet more equity driven criteria (12.0) on average than tuition free programs (10.5), however the individual program meeting the most equity criteria is TIP, a tuition free program. Futures for Frontliners, also a tuition free program, meets the fewest criteria (7). The tuition free programs tend to be easier to initially enroll in than the tuition assistance programs, but

tuition assistance programs tend to be easier to maintain enrollment in and are more generous than tuition free programs. All programs meet just over half of all criteria on average (11.3), indicating that the state has a lot of room for improvement in making financial aid more equitable.

Where do we go from here?

To make Michigan's financial aid programs easier to access, remain enrolled in, and adequate, state policymakers should consider removing unnecessary hurdles and aligning more program requirements. This approach would streamline the disbursement of aid and reduce unnecessary bureaucratic requirements for students, state agencies, and financial aid officers. The state should also invest in greater student support through counselors and proactive outreach. Some of these policy changes could be made using the federal funding from the American Rescue Plan while others may be best addressed through standalone legislation or through the budgetary process.

Policy Recommendations

Simplifying the Michigan financial aid landscape and expanding access necessitates understanding how these systems become overly complex and exclusive. The research on administrative burdens imposed by financial aid programs suggests that increased complexity for obtaining and maintaining aid reduces uptake, causing students to pay more out of pocket for college or to not enroll altogether. This is likely true of Michigan financial aid. For example, TICAS and TCF estimated that TIP has a participation rate of less than one-third among eligible students, resulting in upwards of \$100 million left unclaimed every year.⁴³ Unfortunately, data are not available to analyze take-up rates among all programs. Nonetheless, it should be a concern that the average take up of aid is 19 percent lower at Michigan aid-eligible institutions with enrollment of Black students greater than 10 percent.⁴⁴

Thankfully, there are policy levers available to enable more students to qualify and maintain eligibility, increase uptake and incentivize enrollment. Governor Whitmer's administration and the Michigan legislature should consider the following changes to make its existing financial aid programs more easily accessible to students and more equitable for all.

- » **Remove unnecessary variance between programs.** The state should align program requirements with the federal Pell Grant requirements so that all financial aid programs are administered by the same set of rules. For context, nearly seven million Americans rely on Pell grants to afford college, the vast majority of whom have family incomes of \$40,000 or less.⁴⁵ As the largest need-based grant program in the country, it should set the standard for all other need-based grants. This change would save administrative costs and improve transparency for students and families. Specifically, we recommend Michigan lawmakers bring all state programs into alignment with the following changes:
 - Remove GPA requirements beyond meeting federal standard academic progress (SAP) for Michigan Reconnect, Futures for Frontliners, and the Children of Veterans Tuition Grant.
 - Allow financial aid officers to review GPA on a basis (i.e. semester) that is clear and aligned with the academic year for Michigan Reconnect and Futures for Frontliners.

- Eliminate the age restrictions in TIP, Police Officer’s and Firefighters Survivor Tuition Waiver, Children of Veterans Tuition Grant, and Reconnect so that students can access these grant programs at any time, as they can with the federal Pell Grant.
- Eliminate the merit component to the MCS and allow all students who meet the institutional admissions process to receive state aid.
- Remove the requirement that students pass a criminal background check in order to receive aid for the MCS, MTG, and CVTG. With strong bi-partisan support, federal legislation removed this requirement as a condition for receiving federal aid in 2020.
- Enforce the same deadline across programs for when students may withdraw from classes without incurring a financial penalty.
- Provide for one appeals process to allow campus-based financial aid officials to make adjustments to financial aid packages based on special circumstances.
- Redefine “mandatory fees” to better reflect the mandatory costs students incur to complete their degree.
- Remove the cap on mandatory fees in the TIP program.
- Remove the separate application for Michigan Reconnect.⁴⁶
- Make all Michigan financial aid awards sector neutral, allowing students to use their award at the public and independent, not-for-profit two- and four-year degree granting institutions that best fits their individual needs and career pathway.
- Allow for all awards to be used towards covering the full cost of college.

This standardized approach would simplify state financial aid significantly by making the process for receiving and maintaining aid more transparent for students. For example, students would know precisely by which date they may drop a class without incurring a financial penalty. Furthermore, the separate application for Reconnect provides little information on eligibility that the Michigan Office of Postsecondary Financial Planning cannot already derive from the FAFSA. Alignment to the federal rules and other Michigan financial aid programs would eliminate additional and time-consuming steps for financial aid officials in institutions and state officials at the Treasury.

» **Expand proactive outreach and mentoring through a student-centered approach.**

Faced with complex aid systems and challenges associated with entering college, all too often students with college aspirations don’t enroll or struggle with the transition to college. State lawmakers should invest more in proactive outreach through counselors and informational campaigns to ensure all Michigan students and families know early (and are reminded often) about the aid available to them. Once students are in 9th grade they should be introduced to the financial aid programs, program eligibility requirements, and the steps to accessing aid during student registration, orientation, and in one-on-one meetings with school counselors. This consistent engagement throughout high school is a step toward increasing family awareness of what students need to do to qualify as well as gather more information on college affordability strategies. They should also invest in mentoring for students, such as how Reconnect provides applicants with access to Reconnect navigators. Focusing on the student experience accessing state aid can help alleviate the administrative burden on students and their families as they navigate the process.

Looking Long-Term: A One-Grant System for Michigan

At the same time that state policymakers consider incremental improvements to Michigan's patchwork of aid programs, the state should also be looking ahead by launching discussions about how deeper, structural reforms to Michigan financial aid could best address the needs of tomorrow's students. In addition to variance in program requirements and unnecessary complexity, Michigan's existing programs leave critical coverage gaps. Living costs remain a tremendous barrier to students and are not adequately addressed by existing programs: even after the Pell Grant is applied, every recipient of Michigan Reconnect, Futures for Frontliners, the MCS, or the MTG must look to other sources for living support. This is one contributor to high student debt in the state.⁴⁷ Next, there remains a gap for low-income students enrolled in the third and fourth years of a bachelor's degree at a public university, who would only receive \$1,000 per year from TIP Phase II. With few other options, students' heavy reliance on institutional aid contributes to strained budgets and rising tuition at the state's public universities.

These affordability gaps can only be closed through a restructuring of the state's financial aid system writ large. Lawmakers should envision a consolidated aid system in which students need only apply for one grant, a grant that serves all the functions of today's programs while also tackling the basic needs insecurity that so often threatens students' progress through college. This grant would be:

- » Predictable, based on straightforward needs-based criteria.
- » Dependable, an entitlement that is funded for any student who qualifies and has a dedicated funding stream.
- » Streamlined, not requiring students to navigate more than one set of program rules.

State lawmakers' ultimate goal should be a simple, comprehensive aid framework with few gaps, one that could be explained easily and concisely to a classroom of 12th graders, returning adult students, or to a new class of elected officials in Lansing. This requires lawmakers to examine closely the policies and processes of state financial aid, as this report has done, and also to think about the bigger picture of access and equity.

Conclusion

Across the country over the past decade, policymakers and voters alike have supported proposals for college affordability that are relatively easy to grasp. These include long-term goals such as debt-free college and more immediately-attainable programs such as tuition-free waivers for community college. In the mid-2000s, the Kalamazoo Promise helped pioneer this model and the Michigan state government took the concept one step further with its unique Promise Zone laws. A decade ago, Michigan was emerging as a thought leader in the movement for simple, straightforward systems of college affordability.

In practice, however, Michigan's system of financial aid programs today is neither simple nor straightforward. It is a patchwork system molded over decades by independent iterations of the term-limited state legislature. Michigan is not the only state whose financial aid system is complex, but that is all the more reason to become a national leader in finding and implementing policy changes that will make financial aid more

effective and more accessible for students and families. As it stands, the existence of administrative barriers and inequitable design elements runs in direct opposition to the spirit of opportunity that these programs stand for.

Recently, the Michigan legislature has taken steps to expand access to the state financial aid programs by removing administrative barriers. These changes include extending the lifetime limits of the MTG, providing transparent information about the net price of college through the Department of Treasury, and streamlining access to financial aid programs by amending eligibility requirements by eliminating the application for TIP and expanding the definition of “scholastic achievement” beyond standardized test scores for MCS. The legislature should continue to reduce onerous and unnecessary steps to accessing financial aid for students through a review of the factors that shape students’ experiences with aid.

Only through a rigorous assessment of the state’s current investments and deliberate changes based on these evaluations can Michigan boost the impact of its financial aid programs for the state’s students, families, and economy. This report offers a starting point for these conversations, a set of low-cost short-term recommendations, and a long-term direction for aid policy. These are the changes needed to make Michigan financial aid policy work better for students and families, removing complexity and clearing the way for students to earn the degrees Michigan needs.

APPENDIX

TUITION FREE PROGRAMS' DESCRIPTIONS - EXTENDED

Title	Funding	Volume	Who is Eligible	Application Materials	What is Covered	First/Last Dollar	Duration/ Lifetime Limit	Limitations	Where Aid Can Be Used
Tuition Incentive Program (TIP)	\$66,623,463	25,505	<ul style="list-style-type: none"> Student must have had Medicaid coverage for 24 months within a 36 month period between age 9 and high school graduation. High school diploma or equivalent by age 20 Be a MI resident Be a U.S. citizen, permanent resident, or approved refugee Not be in default on federal student loan Meet SAP for renewal 	File a FAFSA	<p>Phase I</p> <ul style="list-style-type: none"> Cost of tuition at the in-district rate at participating Michigan community colleges (out-of-district rate subject to approval) Mandatory fees up to \$250 <p>Phase II</p> <ul style="list-style-type: none"> \$500 per semester or \$400 per term up to a maximum of \$2,000 	First Dollar	<ul style="list-style-type: none"> Must use within 4 years of high school graduation (6 years for Phase I) All program eligibility expires ten years after initial enrollment 	<ul style="list-style-type: none"> Future awards subject to available and approved funding TIP benefits cannot exceed 80 semester or 120 terms credits (24 semester of 36 term credits per academic year) Phase I remaining credits may be used towards a second certificate or associate degree if the student has not initiated Phase II benefits Contact hours and tiered tuition rates not covered 	Michigan community college, public university or independent, degree-granting college or university
Michigan Reconnect	\$30,000,000	30,000*	<ul style="list-style-type: none"> Students aged 25+ Be a MI resident for at least a year High school diploma or equivalent Have not yet completed a college degree (associates or bachelor's) 	<ul style="list-style-type: none"> Online application SSN Email address 	<ul style="list-style-type: none"> In District Tuition Mandatory Fees (In District) Out of District receives In-District equivalent 	Last Dollar	<ul style="list-style-type: none"> Eligibility ends upon completion of Associate's degree 4 year lifetime limit 	<ul style="list-style-type: none"> For out-of-District college attendance, Reconnect Only pays The in-District part of The tuition Student will pay the remaining balance 	Michigan community college
Futures for Frontliners	\$24,000,000	NA	<ul style="list-style-type: none"> Worked in essential industries during the state COVID-19 shutdown in spring 2020 (April 1 – June 30) Be a MI resident Required by their job to work outside the home at least some of the time between Spring 2020 shutdown Have not yet completed a college degree (associates or bachelor's) Not be in default on a Federal student loan Enroll in 2021 (Winter, Spring, Summer, Fall semesters) Maintain continuous enrollment Enroll at least half-time Meet SAP for renewal 2.0 GPA minimum (if SAP is not maintained) 	<ul style="list-style-type: none"> Complete a Futures for Frontliners scholarship application by 11:59 pm on December 31, 2020- File a FAFSA annually 	<ul style="list-style-type: none"> In-District Tuition Mandatory Fees (In-District and Out-of-district) Out-of-District receives In-District equivalent 	Last Dollar	<ul style="list-style-type: none"> Eligibility ends upon completion of Associate's degree 4 years after first tuition payment by treasury degree 	<ul style="list-style-type: none"> For out-of-District college attendance, Futures for Frontliners Only pays The in-District part of The tuition Student will pay the remaining balance 	Michigan community college
Police Officer's and Fire Fighter's Survivor Tuition Waiver	\$66,319	6	<ul style="list-style-type: none"> Children and surviving spouses of Michigan police officers and fire fighters killed in the line of duty Enroll at least half-time Be a Michigan resident for at least a year Provide satisfactory evidence that the applicant is an eligible child or surviving spouse Demonstrate financial need Meet SAP for renewal Have not yet completed a college degree (bachelor's) Child must be less than age 21 at the time of police officer's or fire fighter's death 	<ul style="list-style-type: none"> Online application (MiSSG Portal) File a FAFSA 	Tuition waived for courses towards degree/certificate	Last Dollar	Must apply for the first time before age 26	<ul style="list-style-type: none"> Future awards are subject to available and approved funding. Program eligibility ends when a student has received a bachelor's degree or after completing the equivalent of nine (9) semesters or 14 terms (124 semester hours or 180 term hours) 	Michigan community college or public university

TUITION ASSISTANCE PROGRAMS' DESCRIPTIONS - EXTENDED

Title	Funding	Volume	Who is Eligible	Application Materials	What is Covered	First/Last Dollar	Duration/Lifetime Limit	Limitations	Where Aid Can be Used
Michigan Competitive Scholarship	\$33,623,571	28,819	<ul style="list-style-type: none"> Provide SSN by senior year of high school SAT score of at least 1200 OR demonstrates scholastic achievement High school diploma or equivalent Demonstrate financial need Enroll at least half time Be a Michigan resident for at least a year (as of July 1) Be a U.S. citizen, permanent resident, or approved refugee Not be incarcerated Maintain 2.0 GPA for renewal Meet SAP for renewal Not be in default on a federal student loan 	File a FAFSA	Awards pay up to a maximum of \$1,000 per academic year	First Dollar	Program eligibility ends when a student has received a baccalaureate degree, after completing the equivalent of ten semesters (or term equivalent), or ten years after eligibility has been determined	<ul style="list-style-type: none"> Future awards subject to available and approved funding Awards restricted to tuition and mandatory fees 	Michigan community college, public university, or degree-granting, non-profit independent college (cannot be an institution whose primary purpose is to prepare students for ordination or appointment as a member of the clergy of a church, denomination, or religious sect).
Michigan Tuition Grant	\$33,326,768	14,338	<ul style="list-style-type: none"> Demonstrate financial need Enroll at least half time. High school diploma or equivalent Be a Michigan resident for at least a year (as of July 1) Be a U.S. citizen, permanent resident, or approved refugee. Meet SAP for renewal Not incarcerated Cannot be used toward a degree in theology, divinity, or religious education. Not in default on a federal student loan. 	File a FAFSA	Awards pay up to a maximum of \$2,800 per academic year	First Dollar	<ul style="list-style-type: none"> Award expires 10 years after a student's eligibility is determined (11 for students enrolled during 2020-2021 academic year) Eligibility established the first academic year the student initiates enrollment (and received payment), whichever occurs first 	<ul style="list-style-type: none"> Awards restricted to tuition and mandatory fees Institutions are limited to \$4.8 million in MTG payments per academic year and are responsible for identifying who are eligible Future awards subject to available and approved funding 	Michigan degree-granting, non-profit independent college
Children of Veterans Tuition Grant (CVTG)	\$1,080,937.44	446	<ul style="list-style-type: none"> Students must be between 16-26 Be natural/adopted child of MI veteran Veteran must have died or became totally and permanently disabled as a result of military service Enroll at least half time Be a Michigan resident for at least a year (as of July 1) US Citizen, permanent, resident, or approved refugee Maintain 2.25 GPA Meet SAP for renewal Not be in default on federal student loan 	<ul style="list-style-type: none"> Birth certificate Veteran's discharge certificate or separation document Veteran's death certificate or casualty report Proof of total and permanent disability or death due to service-incurred causes File a FAFSA 	Awards pay up to a maximum of \$2,800 per acaday up to a maximum of \$1,400 or an amount equal to all of the student's eligible tuition, whichever is less, for half-time students	First Dollar	4 Years	<ul style="list-style-type: none"> Future awards subject to available and approved funding Undergraduate students may receive scholarship assistance for up to four academic years and a total of up to \$11,200, whichever comes first 	Michigan community college, public university or independent, degree-granting college or university
Fostering Futures Scholarship	\$1,105,942	438	<ul style="list-style-type: none"> Student must have been in Michigan foster care due to abuse/neglect on/before 13 Enroll at least half time Demonstrate financial need Be a Michigan resident for at least a year (as of July 1) Be a U.S. citizen, permanent resident, or approved refugee. Meet SAP Not be in default on a federal student loan No age restriction 	File a FAFSA	Awards pay up to a maximum of \$3,000 for Academic Year 2020-21	Last Dollar	Unknown	<ul style="list-style-type: none"> Awards restricted to tuition and mandatory fees, books and supplies, and room and board FFS is available on a first-come, first-served basis to Undergraduate Students The maximum award amount is determined annually by MI Student Aid Funding amounts vary based on need and other financial Aid Future Awards subject to available and approved funding 	Michigan community college, public university or independent, degree-granting college or university

INITIAL ENROLLMENT

Program	Does Not Require Application	There is No Deadline to Apply	Does Not Require Proof of Eligibility	Separate Website with Program Information	There Are No Age Restrictions	Does Not Require High School GPA/ Test Score	Does Not Consider Students with Criminal Background Check Ineligible	Do Not Have to Enroll in College Within Specific Time Frame	Number of Criteria Met (0-8)
Tuition Free									
Tuition Incentive Program (TIP)	Y	Y	Y	Y	N	Y	Y	N	6
Michigan Reconnect	N	Y	Y	Y	N	Y	Y	Y	6
Futures for Frontliners	N	N	N	Y	Y	Y	Y	N	4
Police Officer's and Fire Fighter's Survivor Tuition Waiver	N	Y	N	N	N	Y	Y	N	3
Tuition Assistance									
Michigan Competitive Scholarship (MCS)	Y	N	Y	N	Y	N	N	N	3
Michigan Tuition Grant (MTG)	Y	N	Y	N	Y	Y	N	N	4
Children of Veterans Tuition Grant (CVTG)	N	Y	N	N	N	Y	N	N	2
Fostering Futures Scholarship	N	N	N	N	Y	Y	Y	Y	4
Criteria Evaluation (Ys)	3	4	4	3	4	7	5	2	

CONTINUED ENROLLMENT

Program	Does Not Require Continued Application for Renewal	Provides Mentoring in College	Allows for Withdrawal	Does Not Require GPA Greater than Institutional SAP	There is a Financial Aid Appeals Process	Number of Criteria Met (0-5)
Tuition Free						
Tuition Incentive Program (TIP)	Y	N	Y	Y	Y	4
Michigan Reconnect	Y	Y	N	N	N	2
Futures for Frontliners	Y	N	N	N	N	1
Police Officer's and Fire Fighter's Survivor Tuition Waiver	N	N	Y	Y	Y	3
Tuition Assistance						
Michigan Competitive Scholarship	Y	N	Y	N	Y	3
Michigan Tuition Grant	Y	N	Y	Y	Y	4
Children of Veterans Tuition Grant (CVTG)	Y	N	Y	N	Y	3
Fostering Futures Scholarship	N	N	Y	Y	Y	3
Criteria Evaluation (Ys)	6	1	6	4	6	

GENEROSITY

Program	First Dollar	Covers All Mandatory Fees for All Recipients	Covers At Least 4 Years of College	Estimated Award Amount Listed on Website	Covers Living Costs	Covers In-District and Out-of-District Tuition	Covers Tuition at 4-year Colleges	Number of Criteria Met (0-7)
Tuition Free								
Tuition Incentive Program (TIP)	Y	N	Y	Y	N	Y**	Y	5
Michigan Reconnect	N	Y	Y*	N	N	N	N	2
Futures for Frontliners	N	Y	Y*	N	N	N	N	2
Police Officer's and Fire Fighter's Survivor Tuition Waiver	N	N	Y	Y	N	Y	Y	4
Tuition Assistance								
Michigan Competitive Scholarship	Y	N	Y	Y	N	Y	Y	5
Michigan Tuition Grant	Y	N	Y	Y	N	NA	Y	4
Children of Veteran's Tuition Grant (CVTG)	Y	Y	Y	Y	Y	Y	Y	7
Fostering Futures Scholarship	N	Y	Y	Y	Y	Y	Y	6
Criteria Evaluation (Ys)	4	4	8	6	2	5	6	

* Lifetime 4 year limit on award. Cannot be used for education post Associate's degree or certificate.

** In-district tuition may be authorized by the Department of Treasury.

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