FISCAL BRIEF

TUITION INCENTIVE PROGRAM

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FAST FACTS

- The Tuition Incentive Program is for Michigan students who received Medicaid for 24 months in a 36-month period between ages 9 and graduation from high school.
- Phase I of the program covers tuition and fees towards an associate degree or certificate program.
- Phase II covers up to $2,000 towards a bachelor's degree.
- $122.3 million is appropriated for TIP in FY 2025-26.
- A total of 39,929 TIP awards (25,932 Phase I and 14,265 Phase II awards) were distributed in FY 2024-25.

INTRODUCTION

The Tuition Incentive Program (TIP) is one of the state postsecondary financial aid programs funded in the Higher Education budget. TIP awards are a two-phase incentive for students enrolled in Medicaid for a 24-month duration to encourage high school graduation and attendance at a postsecondary institution. Phase I of TIP pays tuition and fees towards an associate degree or certificate program at a postsecondary institution that offers associate degree or certificate programs. Phase II of the program pays up to $2,000 toward the completion of a bachelor's degree at an in-state postsecondary institution. For FY 2025-26, $122.3 million GF/GP is appropriated for TIP. This brief provides background and current information on the Tuition Incentive Program.

PROGRAM DETAILS

The Tuition Incentive Program was established in FY 1987-88 to encourage low-income Michigan students on Medicaid to graduate high school by providing an incentive to pursue postsecondary education. Unlike many state financial aid programs, there is not a stand-alone public act or separate statute that created the program. Instead, TIP funding, eligibility and program conditions are entirely contained within the Higher Education budget bill line items and boilerplate.

The program has two phases of scholarship coverage. Phase I, the biggest portion of the program, covers tuition and fees towards an associate degree or certificate program at in-state postsecondary institutions, including community colleges, tribal colleges, public universities, and independent colleges and universities that offer associate degree or certificate program courses. TIP is considered a tuition specific award, meaning the scholarship is generally applied after most other financial aid has been used to cover tuition and fees.[1]

Tuition is covered at the in-district rate for TIP students attending a community college, although the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) states that out-of-district tuition costs may be awarded for students who do not reside within a community college district. TIP students at eligible public universities have tuition covered at the lower-division (i.e. freshman

[1] MCL 388.1856 states that "all restricted grants" be applied before TIP is used for tuition and fees. Some state and federal scholarships can cover the full cost of attendance and could be applied after TIP in the financial aid packaging order.

and sophomore) resident rate. Private and tribal colleges TIP students have tuition covered at the average in-district community college rate. Mandatory fees up to $450 per semester are covered as well.

Phase II funding is available for students who successfully complete an associate degree or certificate under Phase I and wish to pursue a baccalaureate degree. A maximum total of $2,000 or $500 per semester is awarded under Phase II. Students interested in the initial pursuit of a bachelor's degree track would be ineligible for TIP Phase I funding and could only receive Phase II funding once they have earned 56 transferrable credits.

Students are eligible for the Tuition Incentive Program under the following main conditions[2]:

- Receive Medicaid for 24 months within a 36-month period between age 9 and high school graduation. The Michigan Department of Health and Human Services (DHHS) notifies MiLEAP which students meet the requirement. Students are notified about their TIP eligibility beginning in 6th grade.
- Graduate from high school or obtain a high school equivalency certificate before age 20.
- Submit the Free Application for Federal Student Aid (FAFSA).
- Enroll at least half-time at an in-state postsecondary institution that offers an associate degree or certificate track that participates in the scholarship program.
- Be a Michigan resident for at least 1 year prior to applying.

TIP-eligible students have a 4-year window after high school graduation to enter the program. There is a 10-year window of program eligibility that begins when MiLEAP provides the first scholarship payment. Phase I of the program only covers college courses that count towards a student's associate degree or certificate program. Students have 30 months of Phase II eligibility after successfully earning a degree or certificate under Phase I.

Legislative changes to the scholarship program over the last five years have attempted to make the program less restrictive and more accessible to students through the elimination of semester or term credit limits, the elimination of an application or eligibility certification process, and extending the program eligibility window from 6 years to 10 years.

TUITION INCENTIVE PROGRAM AWARD LEVELS

The award levels for the Tuition Incentive Program are determined by section 256 of the Higher Education budget (MCL 388.1856). Phase I award limits follow the latest in-district community college rates, or lower-division resident rates at the five public universities eligible to participate in Phase I: Ferris State, Lake Superior State, Michigan State, Michigan Tech, and Northern Michigan. The in-district community college rate also impacts the award levels for students at private and tribal colleges. Due to the nature of TIP being a tuition specific program, it is unlikely any student would reach the potential maximum level of a Phase I award, in that nearly all other financial aid received by a student would be applied towards the student's tuition and fees before TIP.

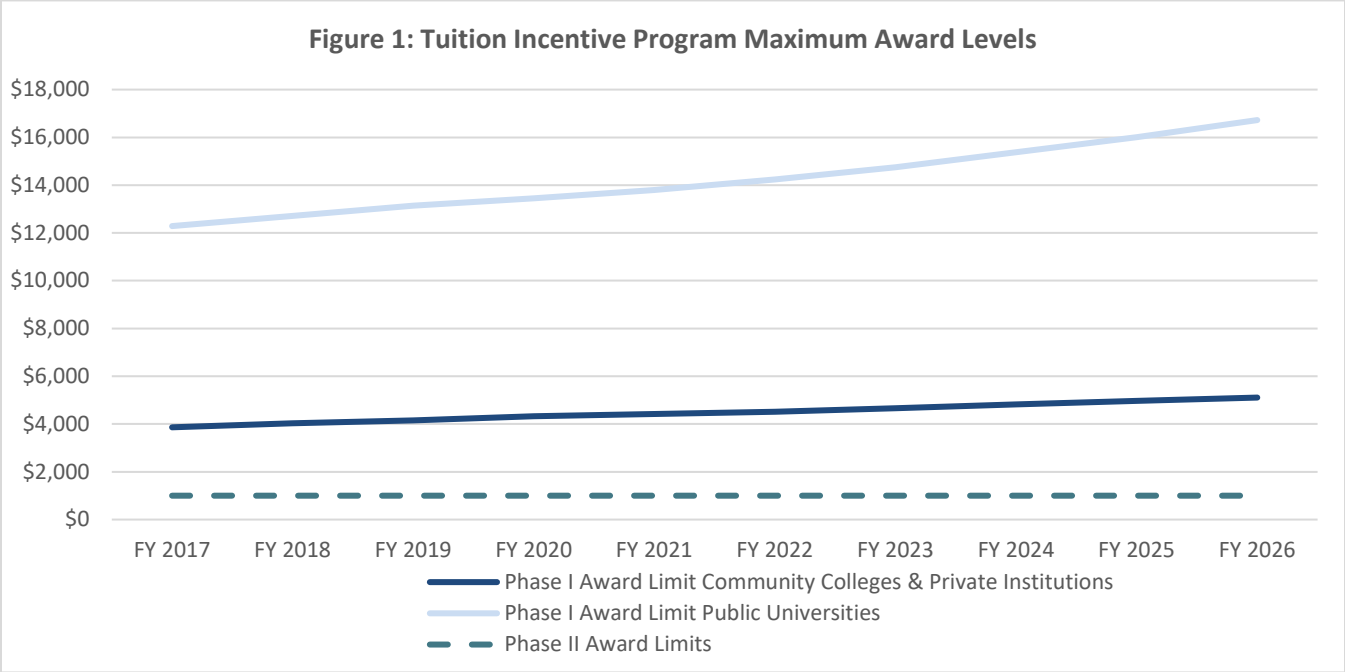
Phase II awards levels are $500 per semester for up to four semesters, for a lifetime total of $2,000.

Figure 1 shows the potential maximum TIP award levels for Phase I and Phase II over a 10-year period. There is a high variation in Phase I maximum award levels depending on where a student pursues an associate degree or certificate. A Phase I individual award for nearly 2,600 students at the five public universities could reach over $16,723 in FY 2025-26. A Phase I individual award for the 23,333 students at a community college or private university could reach just over $5,100 for the same fiscal year, a 327% lower cost than the public university award. More information about

[2] The full list of Tuition Incentive Program conditions can be found here.

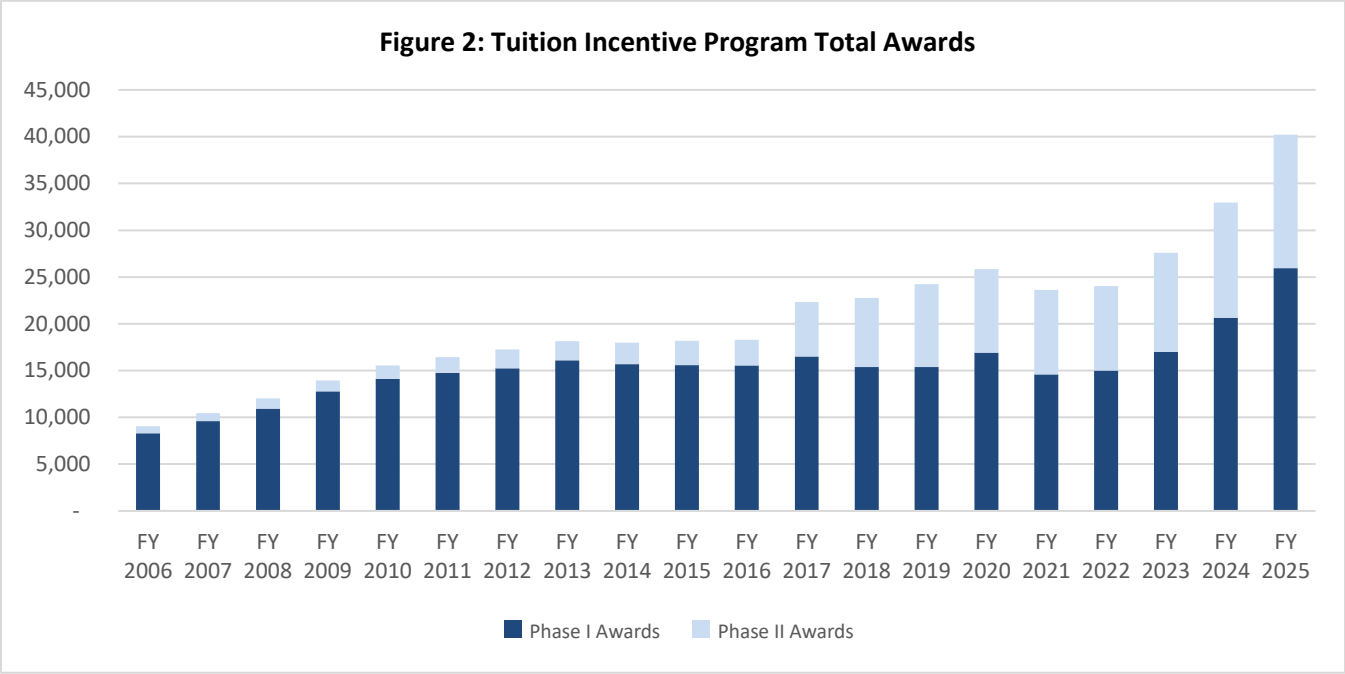
the Phase I awards by sector can be found in **Figure 4**. Due to the nature of the potential maximum award following tuition and fee increases for community colleges and universities, the Phase I maximum award has increased by 32% for community colleges, private and tribal colleges, and 36% for the five public universities between FY 2016-17 and FY 2025-26. This increase, along with the higher awards at public universities are reflected in increased TIP costs and program appropriations.

Maximum Phase II awards have remained the same at $1,000 per year.



TUITION INCENTIVE PROGRAM AWARDS DISTRIBUTED

According to the latest data from MiLEAP, 39,929 Tuition Incentive Program awards were made to Michigan students in FY 2024-25. **Figure 2** shows the total number of Tuition Incentive Program scholarships given to students over the most recent 20-year period, broken out between Phase I and Phase II.



As indicated in **Figure 2**, a total of 39,929 TIP awards were made in FY 2024-25, which was the highest number of awards given in a fiscal year over the 20-year span. Total awards grew by nearly 31,000 or 341% over the last 20 years. Phase I awards reached a 20-year high in FY 2024-25 at 25,932 which represents growth of 17,640, or 213%, since FY 2005-06. Phase II awards realized stronger growth, going from 754 awards in FY 2005-06 to over 14,200 awards in FY 2024-25, growing by 1,792%, or over 13,500 awards.

TIP awards have mirrored recent postsecondary trends, with a decline in awards and enrollment in FY 2020-21 and 2021-22 because of the COVID-19 pandemic, and enrollment and TIP awards growing in subsequent years.

The federal government froze the Medicaid redetermination process between FY 2019-20 and FY 2022-23 due to the COVID-19 pandemic, resulting in more people enrolled in Medicaid for a longer period.[3] Approximately 144,000 additional students may be eligible for the program due to the redetermination freeze.[4] This could result in more students becoming eligible for TIP, because they could have fulfilled the Medicaid enrollment requirement of 24 months within a 36-month period during the freeze, further increasing future participation.

Figure 3 compares the percentage of Phase I and Phase II awards to all TIP awards granted. Phase I awards have historically comprised the majority of awards given, but the percentage of Phase I awards has fallen from 92% in FY 2005-06 to 65% in FY 2024-25. Meanwhile, Phase II awards climbed from 8% in FY 2005-06 to 35% in FY 2024-25.

Figure 3: Tuition Incentive Program Total Awards by Percentage

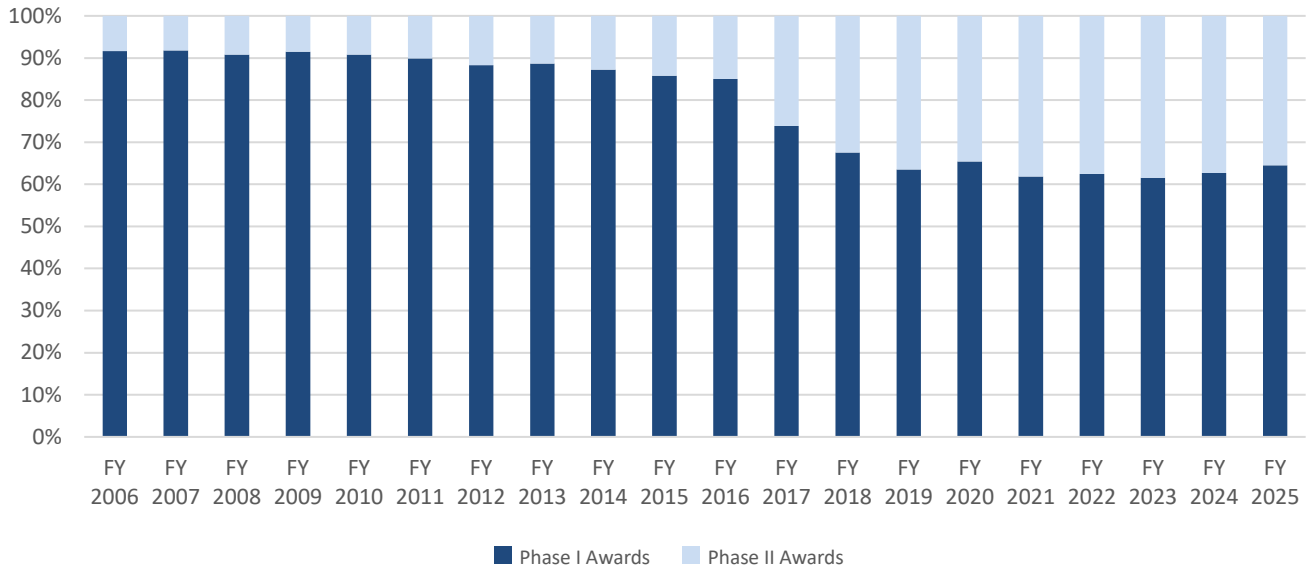


Figure 4 shows Phase I awards by sector over a 20-year period. Community college Phase I awards grew from 6,179 in FY 2005-06 to 22,037 in FY 2024-25, an increase of over 15,800 or 257%. Public university Phase I awards also grew during this period, with over 1,900 additional awards given in FY 2024-25 (2,599 total awards) compared to FY 2005-06 (686 total awards), an increase of 279%. Phase I awards at private colleges and universities declined by 131 or 9% over the 20-year span, dropping from 1,427 to 1,296.

[3] More information on the Medicaid redetermination process can be found here.

[4] According to the MDHHS Green Book of Key Program Statistics, 449,245 children between the ages of 9-18 were enrolled in Medicaid at the start of the COVID-19 pandemic in March 2020, while 593,447 children were enrolled in Medicaid when the redetermination freeze ended in July 2023.

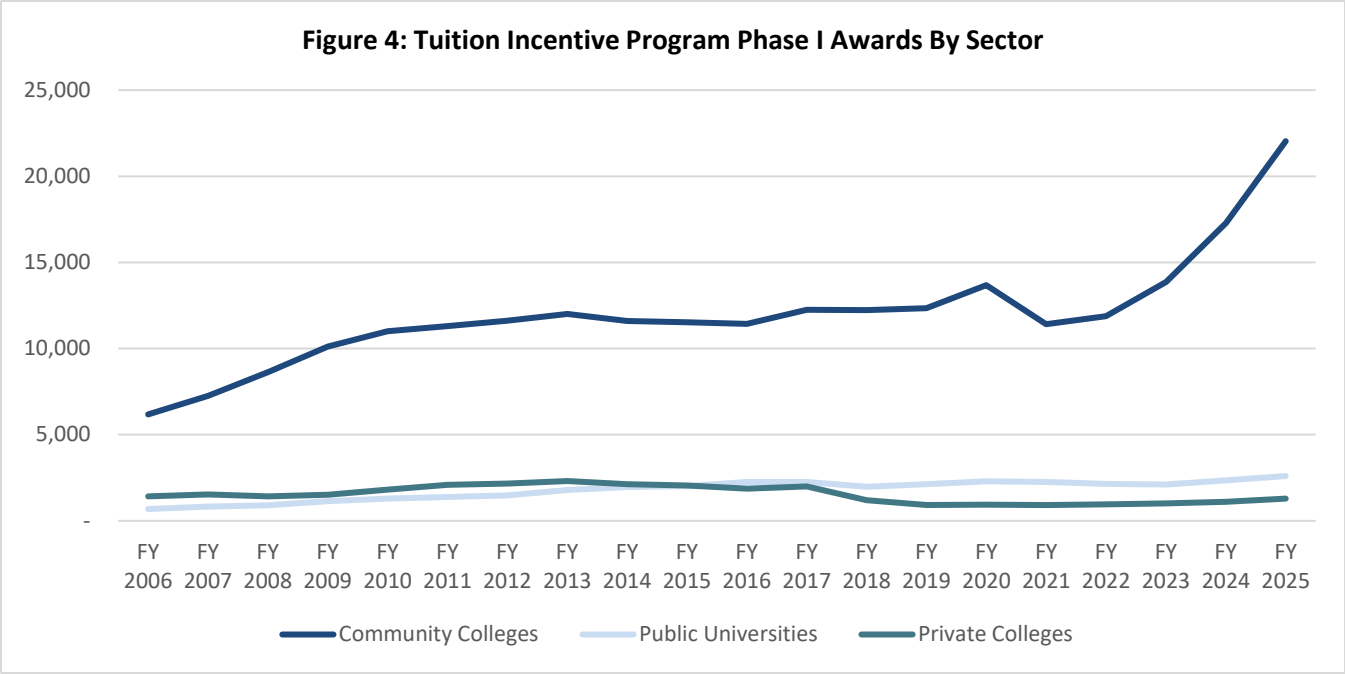


Figure 5 compares the percentage of Phase I awards by sector. Community College awards range from 73% to 85% of total Phase I awards during this 20-year period, averaging 78% overall. Public university awards range from 8% to 15%, averaging 12% of Phase I awards. Private institution Phase I awards range from 5% to 17%, averaging 11% of awards.

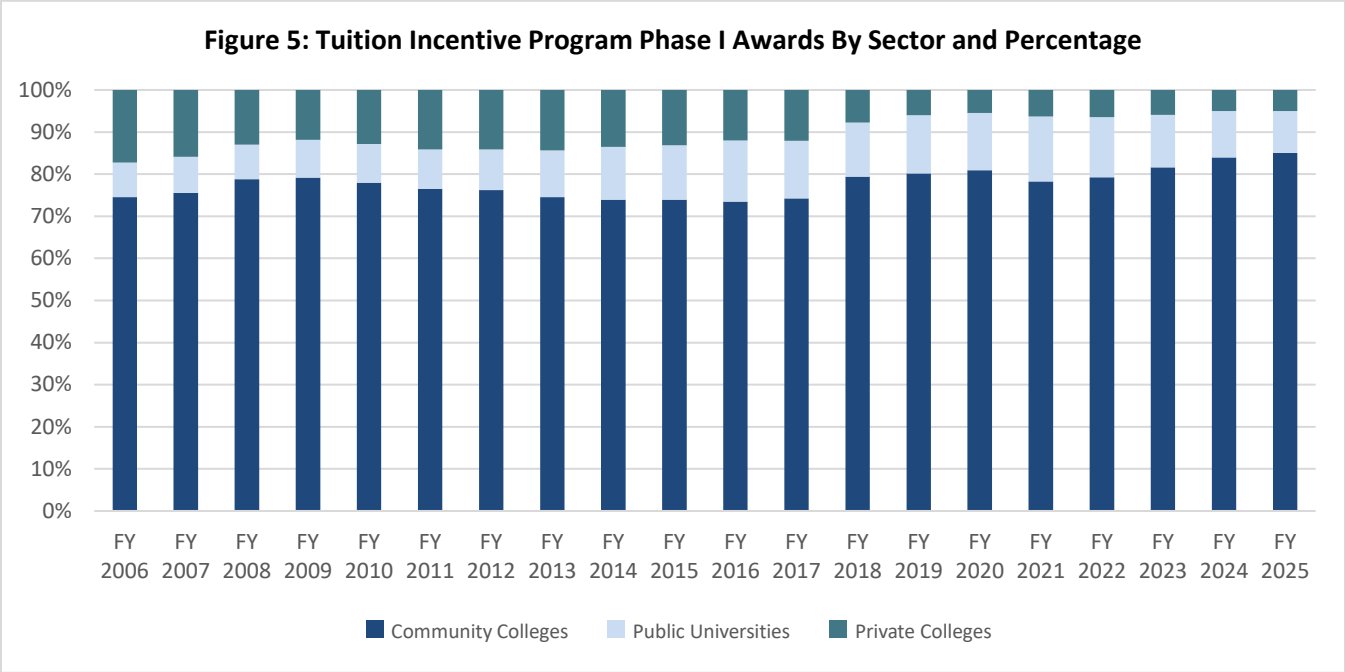


Figure 6 shows Phase II awards by sector over a 20-year period. The majority of increased Phase II awards came from the public university sector. Phase II awards at public universities increased from 599 in FY 2005-06 to 12,342 in FY 2024-25, an increase of over 11,700 or 1,960%. Phase II awards at private colleges and universities increased by 1,766 or 1,139% during the 20-year timeframe. Due to a limited number of community colleges offering baccalaureate degree programs, total Phase II awards never exceeded 8 and were 0 in most years.[5]

Figure 6: Tuition Incentive Program Phase II Awards By Sector

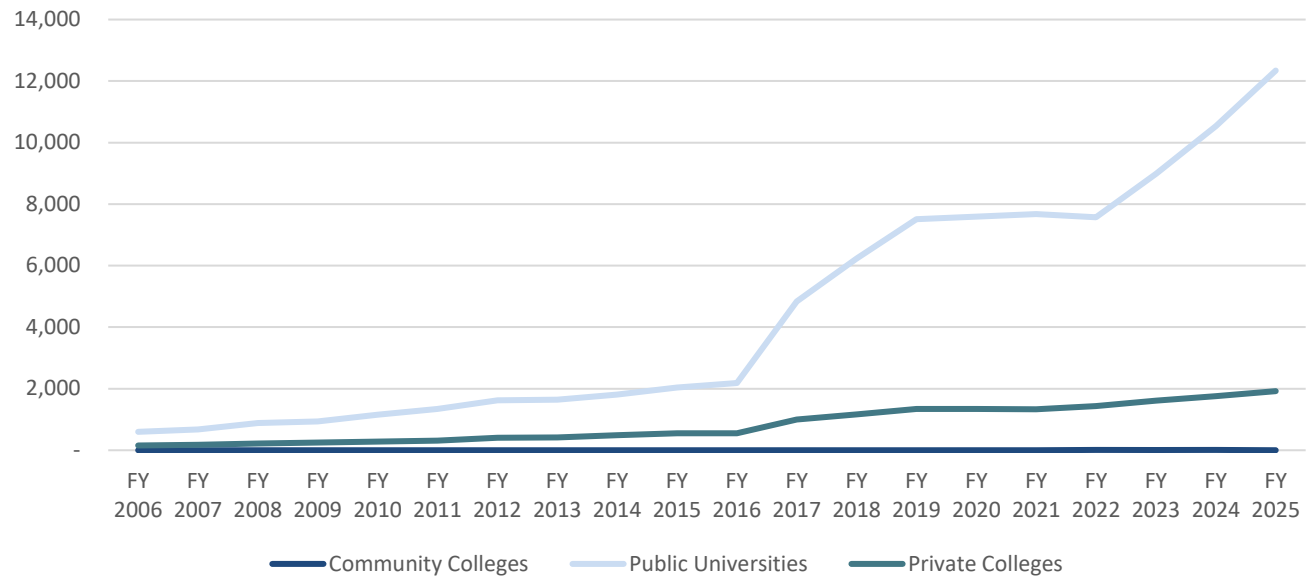
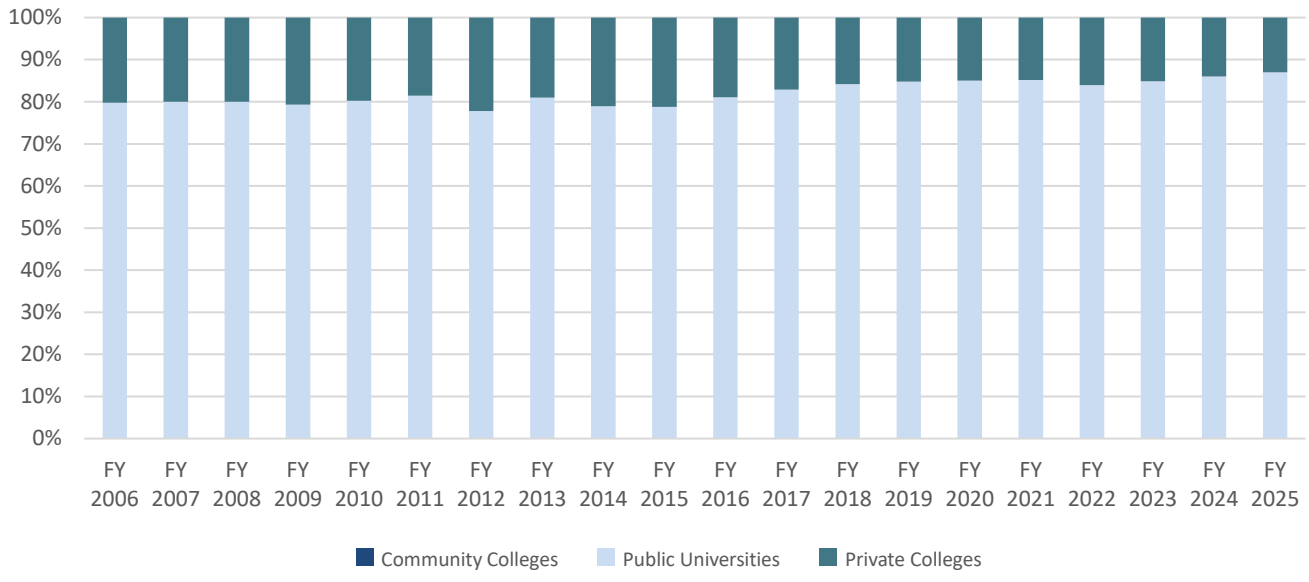


Figure 7 compares the percentage of Phase II awards by sector over a 20-year period. The vast majority of Phase II awards are from public universities, averaging 82% of awards during this time. Private institutions averaged 18% of Phase II awards. Community colleges received 33 Phase II awards total during the 20-year period, or a percentage too small to register.

Figure 7: Tuition Incentive Program Phase II Awards By Sector and Percentage

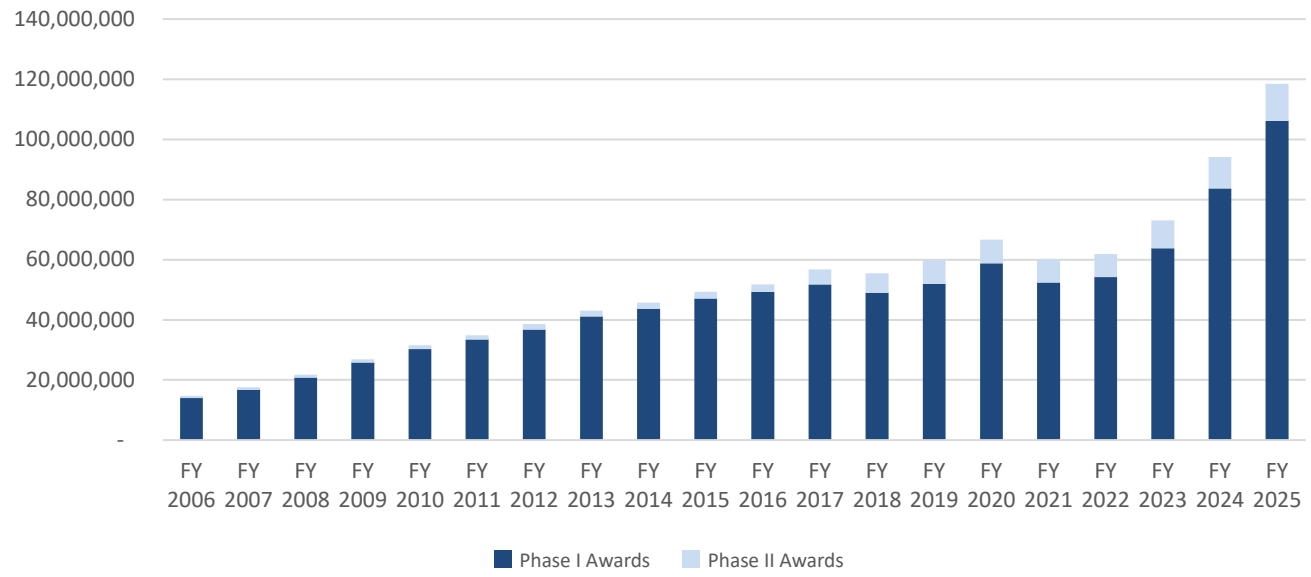


[5] More information on community college baccalaureate degree programs can be found here.

TUITION INCENTIVE PROGRAM GROSS PAYMENTS

Tuition Incentive Program gross payments reflect program increases over the last 20 years as seen in **Figure 8**. TIP payments hit a high of $118.5 million in FY 2024-25. This reflects a $103.8 million (706%) increase from FY 2005-06. Similar to the number of awards, TIP payments consistently increased over the 20-year period, with declines in FY 2020-21 and FY 2021-22 due to lower postsecondary enrollment, followed by record breaking program expenditures in the following three fiscal years.

Figure 8: Tuition Incentive Program Gross Payments



TIP expenditures have increased due to a number of factors:

- **Increased tuition costs.** Since TIP is tied to community colleges' in-district and public universities' resident tuition and fee rates, program expenditures follow increases in tuition and fee rates.
- **Lack of a program cost cap.** Despite some sporadic legislative efforts to limit reimbursement rates for students attending a certificate or associate degree program at a public university, there has not been a cap on Phase I costs at public universities, which have higher tuition and fee rates than community colleges.
- **Increased program participation.** More students are receiving both Phase I and Phase II scholarships over the last 20 years. Efforts to reduce program barriers; more students being eligible for the program due higher Medicaid caseloads and the Medicaid freeze during the COVID-19 pandemic; increased outreach to eligible participants; and the state's Sixty by 30 effort to have 60% of Michigan residents earn a certificate, credential, or degree by 2030 all contribute to a higher number of students participating in TIP.

Figure 9 shows TIP Phase I payments by sector. Community colleges received the majority of Phase I payments during the last 20 fiscal years, averaging 58% of all Phase I award payments over the period. Public universities increased their share of Phase I payments, going from 26% of Phase I payments in FY 2005-06 to 30% in FY 2024-25, averaging 33% of Phase I payments over this period. Private institutions have seen a decreasing share of Phase I payments, dropping from 17% in FY 2005-06 to 4% in FY 2024-25, averaging 9% of Phase I payments during this span.

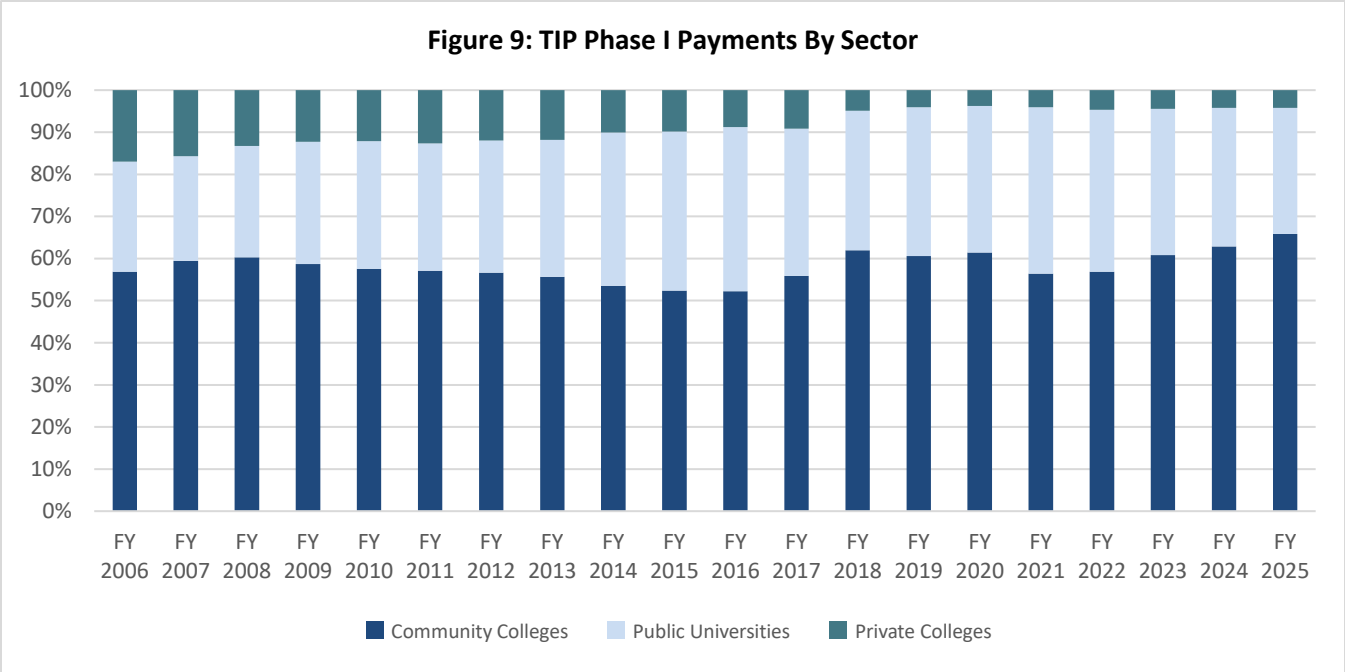
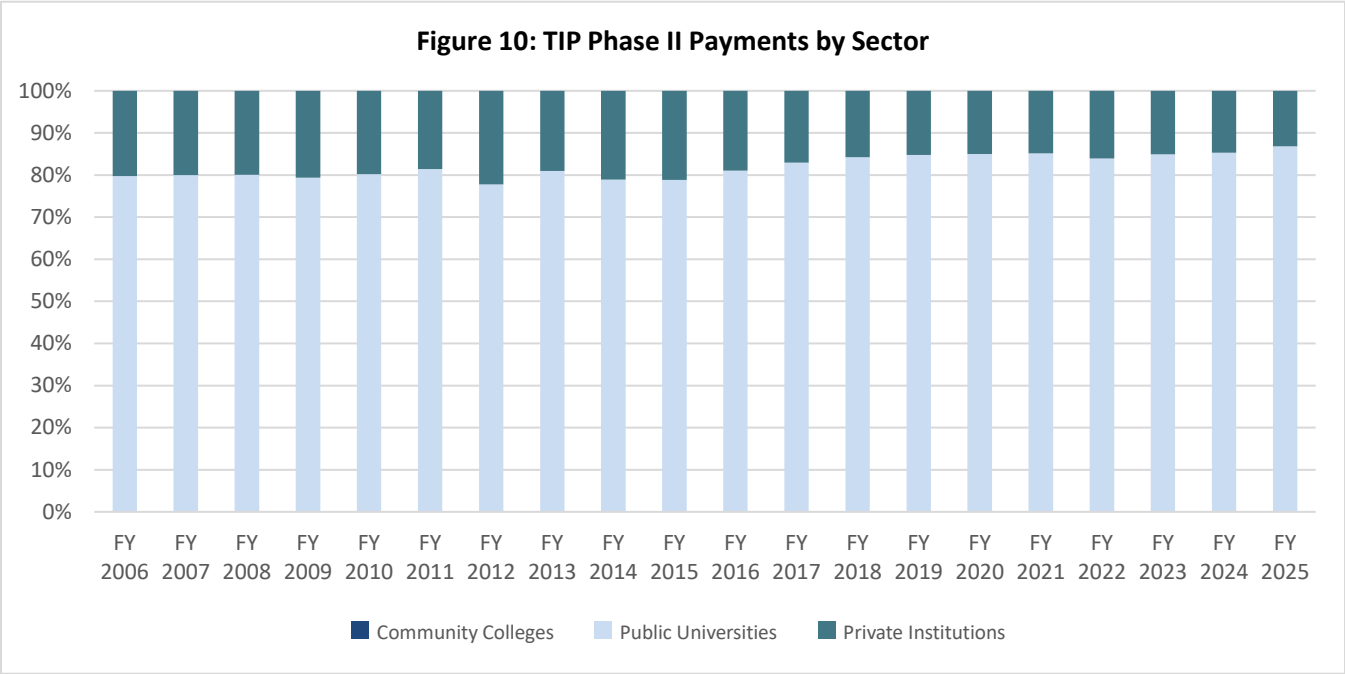


Figure 10 shows TIP Phase II payments by sector. Public universities received the majority of Phase II payments during the last 20 fiscal years, averaging 82% of all Phase II award payments over the period. Private institutions averaged 18% of Phase II payments during this span. Community colleges received $20,700 total over this 20-year period, an amount too small to register on the chart.



TUITION INCENTIVE PROGRAM APPROPRIATION HISTORY

Figure 11: Tuition Incentive Program Appropriation Amounts

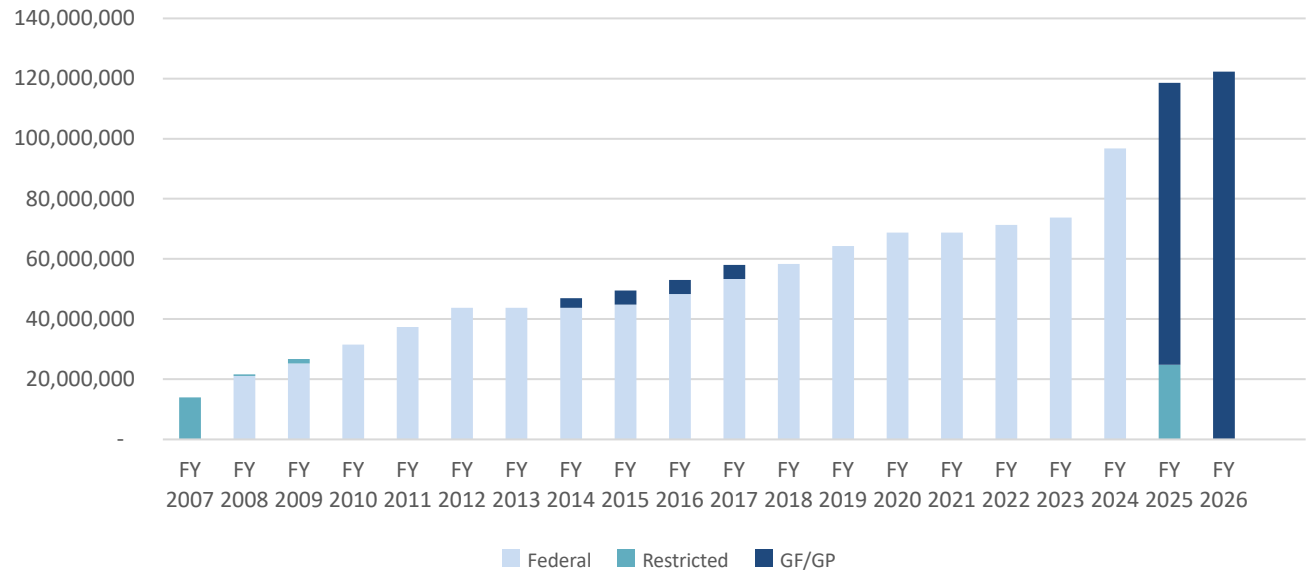


Figure 11 shows the year-to-date appropriation levels for TIP between FY 2006-07 and FY 2025-26, which includes legislative transfers and supplemental appropriations. The FY 2025-26 Higher Education budget appropriated $122.3 million GF/GP for TIP. This represents an increase of $108.3 million, or 774%, from the program's FY 2006-07 appropriation of $14.0 million.

Prior to FY 2007-08, TIP awards were funded by state general fund revenue and state restricted funding through the Michigan Merit Award Trust Fund. Between FY 2007-08 and FY 2023-24, the program was funded through a mix of federal Temporary Assistance for Needy Families (TANF) funds, state general fund revenue, and some restricted funding, with Federal TANF funds serving as the sole funding source for 11 out of the last 20 years. The use of federal TANF funds for TIP fell under the objective to "prevent and reduce incidence of out-of-wedlock pregnancies," an eligible purpose of TANF-funded programming.[6] The use of federal TANF funds was phased out for all state scholarship programs for FY 2024-25. TIP awards were supported, in part, with $24.8 million of restricted funding transferred from the Postsecondary Scholarship Fund in FY 2024-25.[7]

CONCLUSION

The Tuition Incentive Program is one of the largest state scholarship programs, along with Michigan Reconnect and the Michigan Achievement Scholarship program, that helps the state move towards its goal of having 60% of the population obtain a degree or skills certificate by 2030 by making postsecondary education at community colleges nearly cost-free to individuals.

After a brief decline in TIP awards in FY 2020-21 and FY 2021-22, the program returned to its pattern of growth exhibited over the last 20 years. Total TIP awards increased by nearly 31,000, or 341%, over the previous two decades.

[6] More information about TANF funding can be found here.

[7] Section 236j of the Higher Education budget (MCL 388.1836J) allows the State Budget Director to appropriate funds from the Postsecondary Scholarship Fund to cover awards of other state scholarship programs with written notification to the legislature.

Over the last 20 years, more than 408,600 students achieved the program's original intent of graduating from high school and pursuing a postsecondary degree or credential.

The significant growth in students utilizing TIP also resulted in increased costs for the state. The appropriation for the program grew by $108.3 million, or 774%, over the last 20 years. The Phase I portion of the scholarship being tied to in-district community college tuition and fee rates and public university resident tuition and fee rates means the scholarship keeps pace with tuition costs, but it also means costs will continue to increase as community college and public university tuition and fee rates increase.

The FY 2026-27 Executive Budget Recommendation for Higher Education proposed two significant changes for TIP. The proposal would subject public university Phase I awards to a tuition and fee cap of 2.5 times the in-district community colleges tuition rate starting in FY 2027-28 and eliminate Phase II eligibility for new students, as those students would be eligible for the Michigan Achievement Scholarship. Both changes are estimated to result in potential program savings of $17.0 million in FY 2026-27 if the legislature were to incorporate those changes in the enacted version of the FY 2026-27 budget.

In short, a growing number of students from a vulnerable population are fulfilling the original intent of the Tuition Incentive Program and graduating high school and pursuing postsecondary education.

Table 1 shows the distribution of Tuition Incentive Program awards between FY 2005-06 and FY 2024-25. **Table 2** shows the distribution of Phase I and Phase II awards during the same 20-year period.

Table 1: Tuition Incentive Program Awards Between FY 2005-06 and FY 2024-25		
Fiscal Year	**Total TIP Awards**	**Total Award Amount**
2005-06	9,046	$14,694,653
2006-07	10,462	17,600,277
2007-08	11,701	21,219,255
2008-09	13,957	26,678,697
2009-10	15,558	31,365,000
2010-11	16,424	34,650,729
2011-12	17,266	38,367,537
2012-13	18,166	43,013,226
2013-14	17,989	45,720,824
2014-15	18,189	49,341,411
2015-16	18,290	51,768,507
2016-17	22,332	56,788,471
2017-18	22,595	55,462,465
2018-19	24,046	59,697,609
2019-20	25,505	66,623,463
2020-21	23,437	60,216,474
2021-22	23,801	61,904,356
2022-23	27,353	73,089,684
2023-24	32,616	94,124,438
2024-25	39,929	118,450,982
TOTAL	**408,662**	**$1,020,778,058**

Source: Michigan Department of Lifelong Education, Advancement, and Potential; Michigan Department of Treasury

Table 2: Tuition Incentive Program Awards Between FY 2005-06 and FY 2024-25				
Fiscal Year	**Phase I Awards**	**Phase I Amounts**	**Phase II Awards**	**Phase II Amounts**
2005-06	8,292	$14,011,764	754	$682,890
2006-07	9,600	16,795,694	862	804,584
2007-08	10,935	20,848,262	1,106	949,866
2008-09	12,769	25,813,273	1,188	1,048,675
2009-10	14,123	30,272,608	1,435	1,247,028
2010-11	14,766	33,429,630	1,658	1,453,250
2011-12	15,240	36,787,934	2,026	1,774,592
2012-13	16,104	41,156,126	2,062	1,857,100
2013-14	15,691	43,679,337	2,298	2,041,487
2014-15	15,600	47,119,190	2,589	2,222,222
2015-16	15,552	49,320,940	2,738	2,447,567
2016-17	16,494	51,712,528	5,838	5,075,943
2017-18	15,391	48,972,427	7,387	6,490,038
2018-19	15,394	51,993,660	8,855	7,703,949
2019-20	16,914	58,828,860	8,942	7,794,603
2020-21	14,593	52,418,079	9,013	7,798,359
2021-22	14,995	54,248,261	9,023	7,656,085
2022-23	16,987	63,779,933	10,610	9,309,751
2023-24	20,646	83,685,054	12,302	10,439,384
2024-25	25,932	106,116,914	14,265	12,334,068
TOTAL	**306,018**	**$930,990,474**	**104,951**	**$91,131,441**

Note: Phase I and Phase II awards contain duplicate student counts, which may not add to total awards listed in Table 1.

Source: Michigan Department of Lifelong Education, Advancement, and Potential; Michigan Department of Treasury