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Despite New Scholarships, Michigan College Enrollment is Still Falling

In a Nutshell

- Michigan’s 2023 class of high school graduates were the first class who were able to access scholarships under the new Michigan Achievement Scholarship program.
- State data, however, suggest that the new scholarships, at least in this first year of implementation, may not be having the hoped-for impact. College enrollment within six months of graduation by the Class of 2023 continued on a downward trend.
- One bright spot: a slight increase in in-state vs out-state enrollment at four-year universities.
- To meet the goal of increased degree and certificate attainment, policymakers will need to explore the underlying causes of Michigan’s longer-term decline in college enrollment by new high school graduates.

Last spring, over 99,000 young Michiganders within the Class of 2023 completed their high school education. With their degrees came a special new benefit: access to state financial aid for college through a newly-initiated Michigan Achievement Scholarship program. As of today, Michigan lawmakers have appropriated \$550 million to help finance the new scholarships, with an ongoing appropriation of \$300 million expected to grow over time to accommodate additional cohorts of students. Importantly, the new funding marks a massive re-investment in state-based financial aid for Michigan high school graduates and a course reversal from major budget cuts to state financial aid programs initiated in 2012 as the state was still recovering from a decade of serious fiscal challenges.

Beginning with the 2023 high school graduating class, the scholarships provide up to \$5,500 per year to attend a Michigan public four-year university; up to \$4,000 to attend a Michigan private four-year institution; and up to \$2,750 to attend a Michigan public community college. A recent budget presentation by the Department of Lifelong Education, Advancement, and Potential indicates the program has benefited 27,810 Michigan students as of February.

But while the program undoubtedly helped make college more affordable for many Michigan families, state data suggests the program had little impact – at least initially – on another important state policy goal: inducing more young students to pursue a college education.

Educational Attainment and Michigan’s Future

The Michigan Achievement Scholarships are the largest of several new financial aid enhancements tied to the state’s Sixty by 30 initiative to increase the percentage of working-age adults in Michigan with a college degree or other skill certificate to 60 percent by the year 2030; the state currently sits at just over 51 percent.

That is a laudable goal for the state. Our research series last year evaluating key trends shaping Michigan’s future showed that Michigan trailed the nation in terms of college degree attainment of its 25-and-over population. The report also showed the important linkage between a college degree and high-paying employment, with 88 percent of the state’s highest-paying occupations requiring a bachelor’s degree at the entry-level.

One challenge for achieving this goal has been the ever-increasing cost of attending college. Our 2023 report on higher education affordability documented that average tuition and fee charges at Michigan’s public universities rose from 7.4 percent of median household income in 1989 to 21.6 percent of median income two decades later in 2019. We concluded the key driver in this trend was the slow growth in public operating support to public universities and colleges, which pushed institutions to lean more heavily on tuition revenue.

This decline in college affordability exacerbates a separate demographic challenge that has been facing Michigan for many years: a decline in its school-age population. As a result, K-12 school enrollments have been on a long decline. There were 99,265 high school graduates in the Class of 2023 – down more than 15 percent from the 117,487 graduates in the Class of 2008 class that graduated 15 years earlier. So, even if the percentage of high school graduates entering and completing college remained stable, the actual number of new young workers entering the workforce with a degree or other credential would decline over time.

Moving the Needle on Educational Attainment

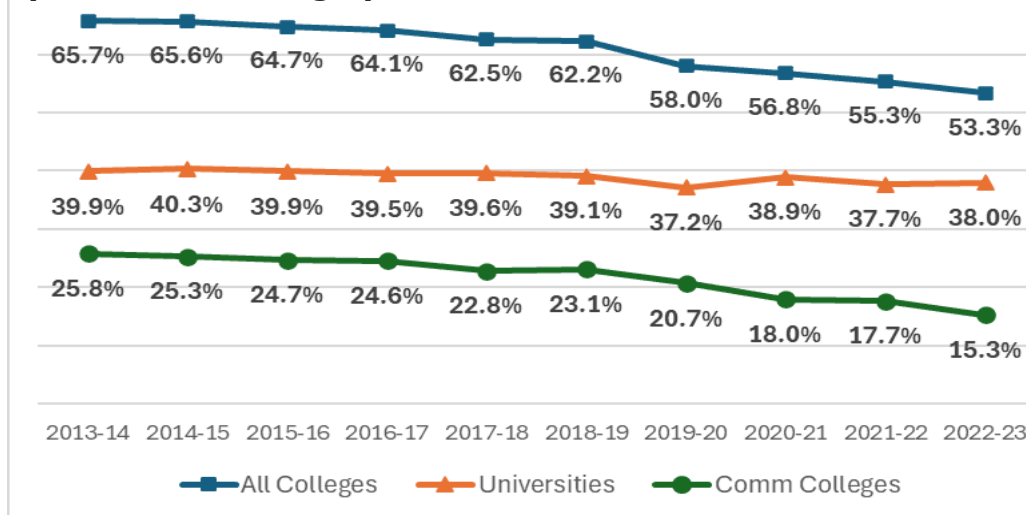
In theory, the new scholarship program could help enhance progress toward the Sixty by 30 goal in two different ways:

- First, by making college generally more affordable, a greater percentage of Michigan high school graduates could choose to enroll in college, thereby increasing the number that eventually graduate with a degree.
- Second, since affordability would be improved only at Michigan institutions, more Michigan high school graduates may choose to “stay home” for college, presumably increasing the likelihood they also remain in Michigan to work and live.

Initial data, however, suggest the new scholarships may not yet be having the hoped-for impacts. Most significantly, the percentage of 2023 high school graduates enrolling in college dropped to 53.3 percent, continuing a longer-term trend of reduced college enrollment rates which fell from almost 66 percent a decade ago. This decline has affected both universities and community colleges but has been especially pronounced among community colleges. While 25.8 percent of the Class of 2014 enrolled in a community college within six months of graduation, that percentage plummeted over the last decade, falling to 15.3 percent in the new data on Class of 2023 graduates.

One important note: these data are often revised upward once more complete information on college enrollments becomes available. For instance, for Class of 2022 graduates, initial reporting suggested that only 52.8 percent of that graduating class enrolled in college within six months; later revisions have increased that percentage to 55.3 percent. A similar update to the 2023 numbers could ultimately show that the longer-term decline has at least flattened with the program. Still, the state would be 10 percentage points below the rate from a decade ago, so more progress would be needed.

Chart 1
College Enrollment of Michigan High School Graduates
By Institutional Category



Source: Michigan Department of Education, MI School Data, College Enrollment by High School

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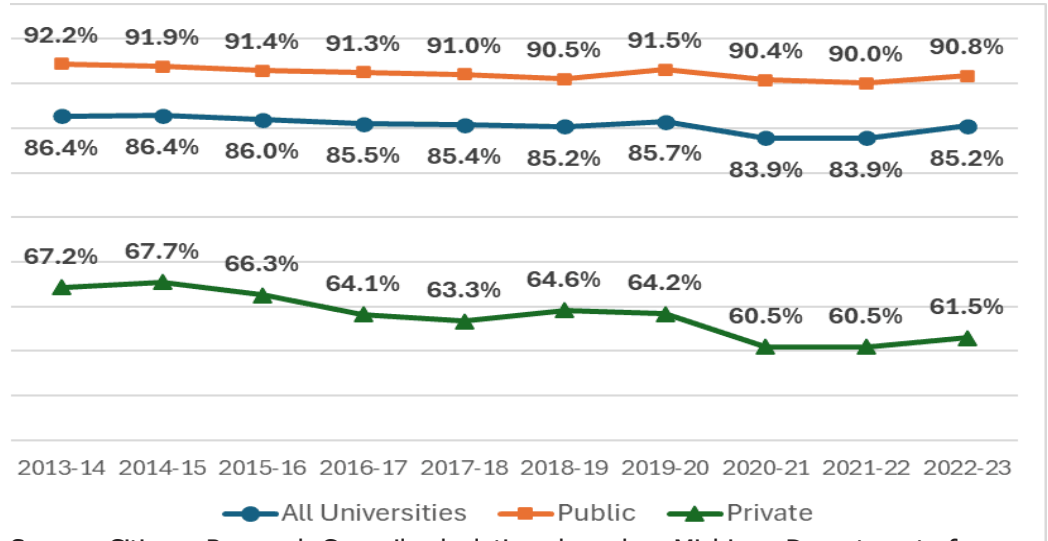
If there is a glimmer of good news in the data, it is that a greater percentage of Michigan high school graduates that enrolled in four-year uni-

versities do appear to have stayed home for college. While the shift is small, it reverses a longer-term trend of decreasing in-state enrollment.

For Michigan high school graduates enrolling in universities, the share enrolling in-state at either public or private Michigan universities decreased from 86.4 percent for the Class of 2014 to 83.9 percent for the Class of 2022. Following the launch of the Achievement Scholarship program, that percentage jumped 1.3 percentage points to 85.2 percent for the 2023 graduating class. Other than a perverse jump in this percentage in 2020 during the COVID pandemic (when presumably students were more likely to stay near home), the percentage had fallen slowly but consistently over the decade.

The long-run decline was particularly strong for Michigan’s private four-year universities. For the Class of 2014, 67.2 percent of Michigan graduates who enrolled at a private university chose a Michigan institution. That percentage dropped to 60.5 percent for the Class of 2022. The new data for the Class of 2023 show that percentage rebounded by a percentage point to 61.5 percent. Again though, in-state shares for both public and private universities remain below the percentages achieved a decade ago.

Chart 2
Share of Michigan High School Graduates Enrolled In-State
Four-Year Universities by Institutional Type



Source: Citizens Research Council calculations based on Michigan Department of Education, MI School Data, College Enrollment Destination. Annual figures reflect the number of high school graduates in each class who enrolled at in-state institutions as a percentage of all high school graduates enrolled at any four-year institutions (in-state or out-state).

Taking Stock: Next Steps for Michigan

To be sure, the new Achievement Scholarships have made college more affordable to the 53 percent of Class of 2023 graduates who chose to enroll in a Michigan college or university. But college is still expensive, and progress toward the Sixty by 30 goal will require a reversal in the downward college enrollment trend noted above. So, what happened this year?

Notably, this was the first year of program implementation. So, it’s possible that as awareness increases of the new scholarships and their potential to reduce the true “out-of-pocket” costs of a college education, more students and families will decide to make the investment and the state will see the hoped-for uptick in college enrollment in future years. Obviously, effective outreach and engagement with students and families on the new scholarship program will be critical in that regard.

Other reasonable explanations have also been offered to explain the downward trend in college enrollment.

First, the COVID-19 pandemic disruptions have had a measurably negative impact on student learning as gauged through performance on national tests. That suggests a larger proportion of high school students may not be college-ready without additional support. The pandemic also resulted in workers in all age groups re-examining their work life and career goals.

It is also possible that the value of higher education is being questioned by an increasing number of graduates

and their families. Some of this may be rooted in perceptions related to the value of a college degree. However, our higher education report surveyed research showing the positive impact of educational attainment at both the individual and community level.

Finally, others have pointed to tight labor markets in Michigan and nationally that have increased wages in many sectors. The prospect of attaining one of these higher-paid jobs may provide an attractive employment alternative to college for many new high school graduates.

Looking ahead, challenges have already arisen for year two of the program. Updates by the federal government to the Free Application for Federal Student Aid (FAFSA) form, which is used to qualify for federal aid and is a requirement to receive an Achievement Scholarship, caused delays in the release of this year's form. Recent media reports suggest only 32 percent of prospective graduates nationwide had submitted the new form as of late March; down from 43 percent in March 2023. Fewer FAFSA filings would hinder access to these scholarships.

Michigan policymakers will need to closely monitor college enrollment trends going forward to determine if the new public investment in state financial aid is helping to turn around the long-run trend away from college enrollment. If not, they will need to consider additional approaches to truly move the needle.

ABOUT THE AUTHOR

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Bob is in his second stint with the Citizens Research Council, having worked for the organization from 2013 to 2015. He has spent most of his time in state government, having worked in the Office of Health and Human Services – State Budget Office and as Associate Director for the non-partisan Michigan House Fiscal Agency (HFA). He has extensive expertise and has provided non-partisan advice and analysis on state policy and budget matters in areas including corrections, human services, and transportation. Prior to joining HFA, he was a research assistant and project manager from 1994 to 1996 for Public Policy Associates, a Lansing-based policy research and consulting firm. He also served for two years within the Michigan Department of State working on department budget and financial issues.

Bob received his B.S. in Economics from Central Michigan University and his M.A. in Economics from Michigan State University.

Founded in 1916, the Citizens Research Council of Michigan works to improve government in Michigan. The organization provides factual, unbiased, independent information concerning significant issues of state and local government organization, policy, and finance. By delivery of this information to policymakers and citizens, the Citizens Research Council aims to ensure sound and rational public policy formation in Michigan. For more information, visit www.crcmich.org.

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