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A Broken Promise: Examining the Merit-Aid Policy and Implementation Gap in the Michigan Promise Scholarship

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In 2006, Michigan changed their traditional merit award to a credit contingent program based upon successful completion of 60 college credits. The Michigan Promise Scholarship was crafted by state policymakers without input from the financial aid community. This case study suggests that the change in policy resulted in two unintended consequences: 1. an administrative burden for financial aid offices resulting from the award verification process and 2. a financial burden for students during the year they are expected to be eligible for the award. The Scholarship was eliminated in 2011, but this case is illustrative for other states seeking to align financial aid with college completion.

On December 21, 2006, Governor Jennifer Granholm signed the Michigan Promise Grant Act (Act 479) into law, effectively guaranteeing $4,000 to every Michigan high school graduate that completes a full two-years of college (2006).[1] The Michigan Promise Scholarship (MPS) replaced the less generous Michigan Merit Scholarship ($2,500), but the award was credit contingent, meaning that all or part of it was made once 60 credits of postsecondary coursework were earned at an approved institution. The policy change went into effect for the high school graduating class of 2008, meaning the first cohort could earn the 60 credit hours by May 2010, and were eligible for the full $4,000 award. During the spring of 2010, the Michigan legislature eliminated the MPS amid a projected budget deficit of more than $15 billion for 2011. Only a small number of students who earned 60 credits in less than two years actually received the full award before the program was cut from the state budget. The program was short-lived, but the policy case is particularly interesting as it is the first merit-aid program based, in whole or in part, upon completion of college level courses to earn the award.

This study reports findings from a single case study tracing the development, evolution, and decline of the MPS program and examines changes in state policy during the early to mid-2000s. The MPS was a failed experiment, but it represents a unique twist on state merit-aid programs that other states may be tempted to consider, owing to the mechanics of tying

[1] The terms of the award will be discussed in detail later, but the definition of two-years of college is 60 earned credit hours from a qualified postsecondary institution in the state of Michigan.

the grant to successful completion of postsecondary coursework. In this study, we ask three questions:

1. How did merit aid become a priority for the Michigan higher education policy agenda?

2. How did the structure of the political process inform the design of the MPS?

3. How did the design of the program affect implementation for postsecondary institutions and students?

We argue that the program design was flawed both because of the broader statewide political context and a commission with unclear goals for financial aid. There were also inadequate structures to consider policy alternatives. Additionally, the design of the program affected its implementation, which had an effect on both institutions and award-eligible students. Finally, we conclude that credit-contingent merit aid, from the perspective of public universities, may have proven to be a barrier for low-income and less academically qualified students.

While the subject of this investigation is a state merit-aid scholarship, this investigation focuses on the policy process that led to a poorly designed program. We frame this investigation as part of the policy adoption literature. In particular, we emphasize the role of blue ribbon commissions in the design of state policy. (The genesis of the program was a statewide commission on higher education and economic growth convened by the Governor in 2004.) Next, we provide a brief description of the research design followed by a discussion of the state political climate and the statewide commission on higher education and economic growth, which led to the adoption of the new program. The final section considers how the public universities responded to these challenges and discusses the eventual elimination of the program. Overall, MPS was short-lived, but it employed an interesting twist on the conventional merit-aid program.

This is an important and timely study for two reasons. First, states are struggling with the rising costs of college as well as declining or flat state revenues. This fiscal environment creates a window of opportunity to reexamine how they address issues of affordability. Second, at the time of its creation, MPS was the only state sponsored merit-aid program with a credit contingent component. Others require students to maintain certain academic standards to maintain an award (e.g., Georgia HOPE scholarship), but none make credit contingency a required element of the state merit-aid policy. That variation on the merit-aid concept aligns well with the growing emphasis on college completion and institutional accountability and may be appealing to other states wrestling with issues of access, affordability, and degree completion.

Theoretical Framework

Overview

In this study, we are interested in examining two aspects of the policy formation process – each of which we conceptualize differently. First, we seek to understand why revision of the merit-aid program made it to the public policy agenda in Michigan at that particular time. Kingdon's (1995) discussion of agenda setting and his adaptation of the "garbage can" model of organizational decision-making provide a useful framework for understanding that process. The agenda-setting process was subjective, idiosyncratic, and in some cases even chaotic. Applying Kindgon's theory to the creation of MPS, this suggested that the policy formation process was anything but rational. MPS depended largely on the sociopolitical context, the subjective understanding of the problem, the range of potential solutions available at the time of policy design, and the actors in the policy process. This window of opportunity made it possible for policy actors to consider a new merit-aid program even though financial aid was never part of the initial agenda for the commission. Powerful forces were in play keeping an examination of the rising cost of college off the table. Despite strong political headwinds, the issue was brought to a small ad hoc subgroup of the commission that developed the framework for the MPS.

Second, we focus our attention on a particular window of opportunity – the creation of the statewide commission on higher education and economic growth – and examine how the structure of this blue ribbon commission affected the design of the new merit-aid program. As we shift our attention to the actual design of the program, we rely on a more rational structural framework to examine the effectiveness of blue ribbon commissions that suggests policymaking is a rationale process. Here, policy alternatives are designed in clear response to well-defined problems and are based on sound theories or rationales. Equally, they assume the right stakeholders are involved in the process and that policies are effective solutions to identified problems. Neither of these theories alone perfectly describes the policy process at play in the case of the MPS but, in combination, moves us closer to understanding how this policy process influenced the design and implementation of the program and ultimately led to the adoption of a signature merit-aid program that would live a very short life.

Kingdon's Policy Streams: An Idiosyncratic Approach to Policy Formation

In his seminal work, Kingdon (1995) argued that research on the policymaking process focused a great deal of time and attention on how decisions are made among policy actors but spent little time attempting to understand how policy priorities made it to the agenda in the first place. He claims,

> [t]hough a drastic oversimplification, public policymaking can be considered to be a set of processes, including at least: 1. the setting of the agenda, 2. the specification of alternatives from which a choice is to be made, 3. an authoritative choice among those specified alternatives, and 4. the implementation of the decision (Kingdon, 1995, p. 3).

Kingdon (1995) argues that the policy process is not nearly as rational and sequential as early research assumed. His research found that policymakers seldom set the agenda by clearly identifying their problems and goals, suggesting a range of policy alternatives, and then weighing the costs and benefits of each in order to commit to a specific set of policy priorities. Alternatively, he suggests that the agenda setting process is akin to the chaotic nature of organizational decision making, described by Cohen, March, and Olsen (1972) as organized anarchies. According to the adapted model, agenda setting is informed by three separate processes that evolve independent of the others – the recognition of problems, the identification of policy solutions, and the existing political climate. These three streams of problems, policies, and politics are coupled during windows of opportunity that may open or close quickly depending upon a variety of factors. Kingdon argues that these streams develop independently of one another where policy solutions may be identified without explicitly linking to clearly defined goals or a well-defined problem. Advocacy groups, for example, may have a set of policy priorities before a problem has even been prioritized on the agenda. At any given moment, a set of policy actors may serve either to promote the coupling of these streams, or constrain the same set of processes.

These streams converge at the point when windows of opportunity open, either because the problem has been identified and emphasized or the political context has changed. When these opportunities arise, policy actors play a critical role coupling solutions with problems and politics. As Kingdon (1995) recognizes, some windows of opportunity open in a predictable fashion; for example; reauthorization of the Higher Education Act or the change of leadership on a legislative committee. Other windows of opportunity, however, open in far less predictable ways, with the Cherry Commission being an example of such. While statewide commissions had been convened in Michigan in the past, the last to deal with higher education policy occurred nearly 20 years earlier.

We argue here that while the agenda setting process was chaotic and idiosyncratic, consistent with Kingdon's (1995) theory, the work of the Commission was also more formally structured in terms of the how commissioners identified problems, considered solutions, and formulated recommendations. As such, it requires a different framework to consider how the structure of this particular policymaking process influenced the design of the program. For that, we turn to existing research on blue ribbon commissions. At this point, it is important to recognize that both theories provide important insights because individuals do their very best to impose structure amid the chaos and uncertainty of larger political forces. To understand how Michigan chose to adopt the credit contingent merit-aid program, one must understand both the volatile and unpredictable state political context and the rational structure adopted by and for the commission.

The Structure of Effective Blue Ribbon Commissions: A Rational Approach

Early work on the formation of higher education policy examined the structure and function of statewide blue ribbon commissions. This work suggests that commissions vary in terms of their effectiveness and the qualities of the process have a direct influence on the policy alternatives that flow from it. Johnson and Marcus (1986) suggest that effective blue ribbon commissions include: "a. a predetermined lifespan; b. eminent individuals from a variety of backgrounds; c. staff and funds to assist in fulfilling its charge; d. a charge to investigate and/or to recommend changes in structures, functions, origins, or processes" (p. iv). They further assert that an effective commission will include the following characteristics:

- The charge for the commission should be clear and comprehensive;
- The commission should hold enough meetings for members to fully understand the issues and the potential solutions;
- The commission chair should provide strong leadership;
- The commission staff should be knowledgeable and appropriate in number to provide the necessary background research;
- The commission should seek out public opinion;
- The commissions' report must address the objectives set out in the charge, adequately articulate the problem, connect recommendations to the problems, and provide evidence where possible;
- Members must be willing to advocate on behalf of the report once it is issued.

Peterson (1983), in an earlier study, was more critical of blue ribbon commissions, relative to their effectiveness as tools for policy formation. Where Johnson and Marcus (1986) focused on the structure of commissions and its work, Peterson pointed to elements of the policy process that affect the ability of the commission to shift from policy design to implementation. He argued that an effective blue ribbon commission includes:

- An honest and balanced assessment of the nature and scope of the problem;
- Specific and "adventurous" (innovative) recommendations;
- Fiscally plausible recommendations;
- Sufficient detail to operationalize proposals;
- Organizational changes where appropriate;
- Documentation of solutions where prior models, theory, or research exists.

Lane (2008) broadens the definition of commissions to be more inclusive of a range of special forums (including task forces, roundtables and commissions), and challenges the assertion that the pre-determined lifespan is a necessary characteristic of a commission. He examined the work of the North Dakota (ND) Roundtable on Higher Education and defined effectiveness in terms of creating and sustaining a statewide public agenda. According to Lane, three conditions were credited for the sustainability of the ND public agenda: 1. the group took time to define the nature of the relationship among critical interest groups, 2. the Roundtable produced a written, detailed agenda to guide decision making, and 3. the Roundtable served as a "face and place" for the agenda to exist (Lane, 2008, p. vii). Lane's work builds on the earlier works of Peterson (1983) and Johnson and Marcus (1986), but also includes several refinements. For example, Johnson and Marcus (1986) discuss the importance of research support in terms of the qualifications of the researchers and the time allotted to conduct work. On the other hand, Lane specifically calls for the effective use of data to inform the dialogue. Similarly, Johnson and Marcus (1986) note the importance of a diverse group of stakeholders. Lane contends that the private sector is particularly important to involve in the process of creating the public agenda. Several recommendations reflect a difference in terms of the duration of the commission. Where Johnson and Marcus call for a clearly defined period for the work of the group, Lane (2008) suggests that a sustainable public agenda necessitates a longstanding body that can move the agenda. To do so, Lane suggests that more attention should be paid to engaging stakeholders, communicating the agenda and its successes, and clarifying goals as well as assigning responsibility. These approaches assume that the right structure combined with an effective policy formation process will result in the design of effective policy. We argue that these factors are important to consider and have implications for the design of policy in particular, but must be understood in the context of complex socio-political forces that effectively impose constraints on the process.

Research Design

We approach this investigation as a single case study of a merit-aid program in Michigan that was awarded in-part based on high school performance, but primarily contingent upon successful completion of the equivalent of two years of college. Yin (2003) suggests that case studies are particularly useful when researchers are examining questions of how or why. A single case study design is appropriate in this particular circumstance because it reflects a unique intersection of policy and practice and Michigan is the only state to adopt a credit contingent merit-aid program. While at least 14 states have adopted merit-aid programs (Ness, 2010), the MPS was unique because it included the provision that all or part of the scholarship was contingent upon the successful completion of two years of in-state postsecondary coursework.

This study draws upon direct observations of both the policy formation process during the Cherry Commission and program implementation at public universities across the state. Our direct observations are triangulated. We use analysis of legislation and legislative reports, interviews with key policymakers engaged in the Cherry Commission, and a focus group. In addition, there is a follow up survey with financial aid directors to examine why the alternative merit-aid program was adopted and how the structure of the new program was likely to affect financial aid offices at public universities. The focus group with financial aid directors was semi-structured within an open-ended question format among representatives of all 15 public universities in Michigan. Follow up questions were sent to each of the financial aid directors and eight were returned. The follow up questions were designed to explore more deeply the specific issues identified during the course of the focus group related to program implementation and the challenges campuses faced. Two institutions were considered to examine the ways in which the design of the MPS actually affected implementation at the institutional level. These findings are juxtaposed with direct observations of the policy-making process that led to the formation of the MPS as well as interviews with key policymakers responsible for the program's design. After the initial draft of the study was complete, it was shared with financial aid directors and key policymakers involved with the statewide commission. This served as a form of member-checking to ensure our account of their experiences accurately conveyed the experience as they understood it.

We conducted this investigation from the perspective of public universities largely as a matter of convenience – three of the four authors were situated within the four-year public sector. We suspect that, given the nature of the program, private four-year colleges and universities were likely to experience the program in similar ways because the aid was portable to any institution in the state. We also expect that the effects may have been greater on community colleges because successful students will leave these institutions at approximately 60 credit hours. At that point, they are eligible for all or part of the award.

It is important to recognize the roles and positions of the researchers and how they may have influenced the context of this investigation. In addition to being situated in the public university sector, three of the four researchers were directly involved in aspects of policy formation and implementation. The principal investigator served as both the research coordinator for the statewide commission on higher education and economic growth (to which the policy change is commonly linked) and as convener of the Financial Aid Officers group for the public universities through the Presidents Council, State Universities of Michigan. Two of the researchers served as directors of financial aid during the implementation of the new program and its eventual elimination. They were responsible for packaging the new aid program and ultimately decided how to assist students when the state eliminated the program altogether. The advantage is that these first-hand accounts and direct observations make it possible to consider features of these programs that are not always well understood or discussed. At the same time, we recognize that our observations and insights are viewed through a particular lens that is neither completely objective nor unbiased. As such, we acknowledge our findings may not apply equally well across all state or institutional contexts. Rather, we suggest that the Michigan experience with a credit contingent merit-aid program should be weighed as one piece of evidence for any state considering a similar strategy.

Analysis and Results

Michigan Case Context

We begin by considering the historical and political context of the Michigan's first merit aid scholarship, the Merit Scholarship program, before turning our attention to the events contributing to the reformulation of the merit program into the Michigan Promise Scholarship. Next, we consider the features of the new policy and its implications for students and institutions. We conclude with recommendations for practitioners and policymakers who may be responsible for developing or administering credit-contingent student aid programs in the future. Lastly, we argue that the financial aid community must be ready to respond when windows of opportunity arise and financial aid makes its way to the statewide agenda.

The Michigan Merit Scholarship

On June 30, 1999, Governor John Engler signed into law House Bill No. 4666 to create the Michigan merit award scholarship trust fund, an oversight board, and the new merit award program. To fund the Michigan Merit Trust, the state dedicated a portion of the annual tobacco settlement revenues.[2] Under the terms of the legislation, every eligible student received $2,500 to attend an approved postsecondary institution in the state of Michigan or $1,000 to an equivalent institution outside the state. According to Sec. 4 (1) of the Michigan Merit Award Scholarship Act, "the goal of the board is to increase access to postsecondary education and reward Michigan high school graduates who have demonstrated academic achievement (Michigan Legislative Council, 1999)."

To be eligible for the award, students were required to meet one of three basic criteria, all of which were linked to established assessment tests: 1. any student who passed all four sections of the Michigan Educational Assessment Program (MEAP) – reading, writing, math, and science, 2. passed two or three of the areas and received an overall score on a standardized college admissions exam in the top 25%, or 3. passed two or three sections and received a qualifying score on a nationally recognized job skills assessment test as designated by the board.

In 2000, The American Civil Liberties Union (ACLU) brought suit against the state of Michigan (White v. Engler, 2001) claiming that eligibility defined solely upon test scores was discriminatory and in violation of Title VI of the Civil Rights Act of 1964 (American Civil Liberties Union, 2000). Heller and Shapiro (2001) contended that Michigan was in violation of the law in two ways. First, African American, Hispanic, and Native American students were all significantly less likely to be eligible for the award than White students. Second, they demonstrated that the MEAP was never validated as a measure of student achievement; rather it was designed as a measure of school district performance. Heller and Shapiro (2001) found that only 12 percent of African American students qualified for the

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[2] The tobacco settlement revenues were a result of a final judgment in favor of the state in Kelley Ex Rel. Michigan v. Philip Morris Incorporated, et. al in 1998.

award while more than 53 percent of White students met the same standard. Further, they showed that 93 percent of all awards were based upon the first criteria, meaning the alternatives did very little to mitigate any potential bias of the MEAP. Despite evidence demonstrating the disparate impact of the MEAP, plaintiffs dropped the case against the state because the Courts had decided that individuals could not bring claims of disparate impact under Title VI of the Civil Rights Act of 1964.[3]

The Cherry Commission on Higher Education and Economic Growth

A statewide commission was convened by Governor Jennifer Granholm in June 2004 and was charged with identifying the best strategies to double the number of college graduates in the state within 10 years. Lt. Governor John Cherry chaired a group of 41 commissioners including eight college presidents, two district superintendents, presidents of the state board of education, the Michigan Education Association, the Detroit Regional Chamber, and the Henry Ford museum, as well as an array of education, business, and public policy leaders from across the state. The commission staff included a dozen state policymakers, directors of special interests, the Governor's executive leadership team, a policy director, two senior policy advisors, a logistics management firm, and a team of graduate student researchers.

In addition to doubling the number of college graduates in 10 years, the commission was charged with improving alignment between higher education and the emerging employment opportunities in the state's economy. They were to build a dynamic workforce with talents and skills for the 21st Century (Lt. Governor's Commission on Higher Education and Economic Growth, 2004). The commission met for the better part of six months and issued a report to the Governor in December 2004 with a slate of 19 broad recommendations, most of which represented the plurality of voices participating in the commission's work. The Cherry Commission was not asked to evaluate the merit scholarship or to develop an alternative program. In fact, financing higher education had been effectively removed from the conversation in an effort to avoid debates over declining state support for higher education. Not one of the four committees addressed financial aid as part of their formal work.

However, a small workgroup of the participation committee was charged separately and concurrently to consider how best to address financial aid. They began with the premise that all students should be able to afford a two-year education. Their work occurred along a parallel track to the commission. It was never formally vetted by the full body, no hearings on

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[3] In Alabama, Department of Public Safety v. Sandoval, the U.S. Supreme Court ruled in the context of English only driver's tests in Alabama, that individuals may not bring a private right of action under Title VI of the Civil Rights Act. Subsequently, the case against Michigan was dropped and the state maintained the merit criteria through all subsequent classes of students (prior to 2006) who maintained eligibility for the award.

the topic were convened or expert opinions sought, and no specific recommendations were made regarding changes to the Michigan Merit Program. In subsequent years, the former Governor's administration attributed changes to the Michigan Merit Scholarship to the Cherry Commission, but the body played no formal role in the change. There was no explicit recommendation to the Governor specifically articulating the need for an alternative program. We argue, consistent with Peterson's (1983) framework for effective commissions, that the lack of specific detail to operationalize the proposal led to a broad framework untested by theory, research, or practice.

According to interviews with advisors to the Cherry Commission process, by the end of Governor Granholm's final term in office, the administration claimed that action had been taken on 17 of 19 recommendations. They suggested that the new Michigan Promise Scholarship had helped the state to address the first recommendation to make higher education universally accessible. It effectively became part of the public agenda without any formal stamp of legitimacy from the body to which it was credited. Because the MPS conversation took place outside of the official work of the commission, only a few commissioners met with the state Treasury Secretary to develop plans for the new program. The commission did not include any representatives from the financial aid community and because the sub-group was not charged with considering the financial aid issue, no research was solicited and no testimony was heard on the matter – both of which were standard practice for the four workgroups and the full commission.

The Michigan Promise Scholarship

Effective December 21 2006 – just over two years after the final recommendations were issued by the commission – the Michigan Promise Grant Act (P.A. 479) reconstituted the Michigan Merit program for all eligible high school graduates beginning during the 2006-07 school year. The Promise scholarship was similar to its predecessor with a few important exceptions:

1. Students were eligible for a total of $4,000, a substantial increase over the $2,500 offered under the Merit scholarship;

2. Students were only required to take the Michigan Merit Exam (MME), which replaced the MEAP, and they were no longer required to achieve a certain level of proficiency to earn the award;

3. All or part of the award was contingent upon successful completion of two years (or its equivalent) of college credit while earning at least a 2.5 GPA (Michigan Department of Treasury, 2006).

From a policy perspective, all three changes were improvements over the previous program – increasing the award by 60 percent, eliminating the testing proficiency requirement, and creating an incentive to complete college. However, the actual mechanics of the program introduced unintended consequences that complicated administration of the program and had the potential to introduce barriers to completion for students. Specifically, section 390.1628 stated that the money was to be disbursed to an approved postsecondary institution at the point at which the student successfully demonstrated qualification.

For students that did not demonstrate proficiency on two or more sections of the MME, the entire $4,000 was disbursed to the college or university when the student became eligible the October following successful completion of all credits and verification of the minimum 2.5 GPA. When students demonstrated proficiency on the MME, the procedure was similar except that the first two $1,000 disbursements were made at the beginning of the first two years in postsecondary education. The guidelines stipulated that this program did not create an obligation for approved postsecondary institutions to loan or advance that money to the students. As will be evident, that gap in the students' financial aid packages was a concern to financial aid administrators responsible for packaging student aid. The credit contingent nature of the program also introduced an administrative burden to financial aid offices because students may or may not have maintained enrollment at the institution by the time the funds were distributed. While it was not the subject of this investigation, this was potentially more problematic for community colleges where many students graduate or transfer at or near the 60 credit threshold.

Unintended Consequences of the Promise Scholarship

Financial aid administrators in this study were unequivocal in their concern over the formulation of this program. The first concern was a more general criticism of the merit approach to student assistance. More than half of participants in the focus group commented that a merit-aid program was not an effective tool because it did not address financial need – a theme that was repeated in the follow up surveys. From their institutional perspective, it was difficult to meet the financial needs of low-income students even when they received the merit award. During the period under investigation, Michigan had two need-based aid programs that accounted for about a third of the total student aid in the state – the Tuition Incentive Program (TIP) was awarded to students whose parents had qualified for and received Medicaid for at least 18 months in a two year period while they were in school and the Tuition Grant that was much larger but was specifically for attendance at independent colleges (Jen, 2008). At the same time, Michigan public four-year tuition rates were significantly above the national averages. The College Board (Baum & Ma, 2009) reported average in-state tuition at public four-year colleges across the country was $6,590; the average in Michigan was approximately $8,500 with only one institution (Saginaw Valley State University) falling below the national average (President's Council - State Universities of Michigan, 2009). With higher than average tuition, small need-based aid programs and a credit contingent merit program, the net tuition in Michigan was likely to be higher than the national average of $2,850. Financial aid officers in the focus group expressed concern that this combination would force some students out of school and others to assume levels of debt beyond the federally subsidized programs.

Administrative Burden for Financial Aid Offices

The MPS was in its second year of funding during the 2009-10 school year. This was the first cohort of students eligible for either $2,000 or $4,000 contingent upon meeting the 60 credit hour/2.5 GPA requirements (Michigan Department of Treasury, 2006). The enabling legislation indicated that no undue burden should be placed upon the institution to provide additional loans or other forms of aid, but it provided no guidance regarding how to package the aid. At the same time, legislation stipulated that the monies were to be disbursed to the institutions once the student applied for and demonstrated eligibility to receive the award. If, for example, a student completed 60 credits and earned a 2.5 in December 2008, the institution received the award for that student in October 2009. Financial aid directors at the public four-year institutions expressed concerns that eligible students would leave school or transfer to another institution by the time the money was available. However, the institution was required to make payment to the student even if they were not currently enrolled. Follow up conversations confirmed that this was true for some students, but the award did not last long enough for many students to qualify – as such, the reimbursement process never became a significant issue. Though we did not speak to financial aid directors at community colleges, their challenge was potentially greater. A student that completed 60 hours at a community college could earn a degree and terminate enrollment or transfer to another institution. The burden of tracking these students and disbursing funds would have imposed a cost to the institutions that would not exist if the money applied to the semester during which the student was enrolled in the classes.

When the decision was made by policymakers to replace the Merit with the Promise Scholarship, the financial aid community was not consulted, and the challenges of implementation were not discussed. According to our interviews with advisors to the commission process, formulation of the MPS was informed largely by political negotiation rather than rational, informed decision-making. As one advisor to the commission process noted, "Okay we get our [political] victory in this in terms of being able to broaden the reach of the [Merit] scholarship, so that literally every student who graduates from high school has the potential to get it." That political win was important as it came at a time when the state legislature was majority Republican in both houses and the Democratic governor had only been in office for a year.

It is unclear whether a different mix of commissioners would have impacted the policy change, but a formal process of testimony and deliberation would have had the dual effect of informing the policymaking process and minimizing potential resistance from interested groups, like the financial aid community. Another advisor noted, "Well, you know, some of it I'm going to have to kind of guesstimate to some extent because you know our conversation, were not as extensive as you might think …"

The Governor's advisors were never intentional about the end result of the Commission, but they were influenced by the innovations and experiences of other states. The National Governor's Association played an important role facilitating the sharing of best practices on college success. Because the governor's staff was focused on establishing their legitimacy in a heavily Republican-controlled legislature, they chose to move the process quickly and without consulting the financial aid community – the group responsible for administering financial aid programs on their respective campuses. This group could have identified, anticipated, and planned for (or avoided) these administrative challenges.

A Funding Gap for Students with Financial Need

Among financial aid offices, the single biggest concern for the Promise Scholarship was the gap in funding it created for high-need students during the semester they achieved eligibility. It was unanimous among those participating in the focus group that the guidance from the U.S. Department of Education would force institutions to package the Promise Scholarship in anticipation of successful completion of the requirements. Doing so left a gap in the student aid package that could not be filled by other forms of federal aid. In our follow up survey, we found that campuses typically bridged that gap for low income students in anticipation of reclaiming those funds once students became eligible.

The legislature did not attend to the details of implementation at the institutional level, but it did attempt to influence institutions in a different way. The legislation stated:

> 390.1627 (4) An approved postsecondary institution shall not consider a Michigan Promise grant in determining a student's eligibility for a financial aid program administered by this state. It is the intent of the legislature than an approved postsecondary educational institution does not reduce other institutionally funded student aid for which a student is eligible because of the student's receipt of or eligibility for a Michigan Promise grant (Act 479, p. 4).

According to the legislation, policymakers stipulated that the award should not be counted in the financial aid package. The second sentence suggests however, that the real concern for policymakers is that institutions do not replace potential institutional aid with the Promise grant. This legislative language is inconsistent with the federal process for calculating student eligibility for aid. All eligible colleges and universities utilize either the federal methodology to calculate a student's expected family contribution (EFC) or institutional methodology. Financial need is then calculated as the difference between the cost of attending (COA) the institution and the EFC.

To illustrate, consider a low-income student living at home and commuting to campus and is attending an institution whose combined costs of tuition, fees, books and supplies is $15,000. The student qualified for a full Pell grant (approximately $4,700 at the time), the maximum subsidized

Stafford loan of $3,500, and a federal work-study award ($3,000 for the purpose of illustration). The difference between the cost of attendance (COA) and the EFC in this scenario is $3,800, which is likely to be covered by some combination of institutional aid, outside scholarships, family resources and additional student loans. The MPS award has the effect of reducing the student's financial need, even though this student will not receive the money until after the eligibility requirements have been met and verified. If the student in this example was scheduled to receive the full MPS award after earning 60 credits, $4,000 would reduce financial need to zero, meaning the student would be required to pay out of pocket when their tuition bill was due.

At the same time, institutions were required to assume the costs of administering the program, particularly for students who left the institution after becoming eligible for the award. Financial aid officers were able to apply all or part of those funds to offset outstanding balances on student accounts. According to Michigan Promise legislation, institutions would not receive Promise Scholarship money from the state until the October following the verification of student eligibility – as many as 11 months after some students became eligible. One financial aid director summarized it this way:

> Another cumbersome process was the "Application for Final Payment." Students had to complete this form no later than the November 15th deadline following their year four in college or risk losing eligibility. For example, the class of 2007 entering college in 2007-2008 would need to complete their academic requirements by 2010-2011 and apply for final payment no later than November 15, 2012. Payment would then be sent to the last institution the student attended, not directly to the student. It would then be up to the institution to know the whereabouts of the student. At that time, funds returned to an institution as undeliverable would have to be [reverted] back to the State by the institution.

The 11-month lag was problem enough, but the legislation allowed students to delay applying for the funds for up to four years, at which time, they may be even more difficult to find. The second and more complicated problem was packaging the aid program. Based upon guidance from the U.S. Department of Education, institutions were instructed to package the aid during the semester students were expected to become eligible. The MPS award would reduce their financial need, which left a gap in their package at the beginning of the semester when they had to pay the balance on their account. For example, a student that did not qualify for staggered payments was eligible for $4,000 at the end of the second year. At the beginning of the term, during which they were expected to earn 60 credits, the $4,000 would reduce students' financial need.

Given what is known about the influences of financial aid on student persistence through college, the credit-contingent approach appears likely to have created a barrier for low income, first generation, and minority students. If the merit scholarship is any indication of who will achieve proficiency in the four subject areas on the MME, then fewer than half of all students received any of the Promise Scholarship up front, meaning they would have a gap in their package the semester during which they become eligible. For low-income students in particular, a $4,000 gap in a single semester is a large amount to cover until the award is granted.

Elimination of the Promise Scholarship

The elimination of the Michigan Promise Scholarship was a particular issue for students who had achieved eligibility upon earning 60 credits with a 2.5 GPA; it was also an issue for students graduating high school who had achieved proficiency on the MME. One financial aid director noted:

> …November 5, 2009 the financial aid community was updated on the Fiscal Year 2009-2010 State budget. The appropriation for higher education, Public Act 132 of 2009 had been enacted. The Michigan Promise was listed nowhere…as being funded. Instead, the financial aid community was notified that Pursuant to P.A. 132 of 2009, funding was not provided for the Michigan Promise Scholarship for the current fiscal year 2009-2010. Therefore, all Promise payments for all class years, beginning with the Class of 2008, was suspended. This suspension applied to both installment and final payments. No new rosters of eligible students would be forwarded to colleges and students would no longer be able to certify their awards. This news came after the academic year had already begun, and students were left with a hole in their award package. A majority of the 15 Public institutions felt the need to step up and assist in some way, even if minimally to help fill the gap created by the loss of the Michigan Promise Award students and families were counting on. Financially, schools did what they could to help make things right for the student, while the State had broken their promise.

While it was not the subject of this investigation, the loss of the $4,000 MPS likely had an effect on Michigan undergraduates. Students and families who anticipated the $4,000 now had to find other sources of support on very short notice. The effects were not insignificant. For example, nearly 2,000 students at Wayne State University lost a combined total of over $3,400,000 in 2009-10. The result was an organized demonstration attracting over 600 students in Detroit. Similar demonstrations were held at the state capitol in Lansing.

Financial aid directors reported that the elimination of the program may have been more problematic if two conditions did not exist. First, a larger share of the MPS was awarded to students without financial need. For these students the loss of MPS did not appear to affect enrollment. Instead of leaving school, these students found other resources to cover their college costs. The timing was problematic, however, even for more economically advantaged families as it came at a time when state support for higher education was declining, prices were rising, and the economic recession was at or near its peak. While it did not substantially affect institutional persistence or completion rates in the near term, it affected the household budgets of both independent students and the families of dependent students.

The second mediating influence for students was that 13 of the 15 public four year universities replaced all or most of the loss of funding for students with at least some financial need during the 2009-10 academic year. This reduced the immediate concern for students and defused the issue temporarily. The following year, several institutions maintained commitments to meet financial need for a number of students who would have qualified for the MPS. Wayne State, for example, maintains a commitment to meet the cost of tuition and fees with a combination of the expected family contribution and federal, state and institutional grant funds. Fortunately, Federal Pell Grant funding increased the maximum amount by $619 to $5,350 in 2009-10 (U.S. Department of Education, 2009), helping to offset some of the lost state funds for high-need students.

Conclusions and Policy Implications

Our findings suggest that the MPS was created as a political solution (expand state aid) to an educational problem (low-degree completion), during a particular window of opportunity and political process (Cherry Commission). The decision was rationalized to promote college access, which resonates with an established statewide goal to double the number of college graduates in Michigan. The MPS was constructed absent any involvement of the financial aid community – particularly those responsible for awarding financial aid across the state – or interest groups like the Michigan Student Financial Aid Association (MSFAA). The result was a policy decision motivated by a concern over college completion rates that failed to account for the challenges of implementation at the institutional level.

The policy was crafted as part of a political process that was not designed to address financial aid or the rising cost of college for students and families. The MPS left a gap in financial aid packages for eligible students during the semester the institution anticipated they would earn the credit. For low- and middle-income students qualifying for other forms of aid, packaging the MPS before the credits were earned resulted in a gap in funding until the credits could be verified and reimbursements issued by the state. The verification and award process in turn, placed an additional administrative burden on institutions that were required to reimburse the money to individuals, whether or not they continued enrollment at the college or university. Due to the elimination of MPS, a number of campuses experienced an additional cost because they had chosen to cover the gap with institutional resources, assuming the state awards would cover the cost. Student aid packages were processed before institutions were aware that the program would be eliminated and universities were not reimbursed for institutional aid they provided to fill the gap in 2010. The number of students that met the threshold prior to May 2010 was modest, but it could have been much more costly had the program had remained in place for another year. As it was, campuses had to deal with a cohort of students who would have received the award at the end of the semester.

The credit contingent mechanism was an innovative strategy to create an incentive for students to complete their degrees, particularly at the two-year level, but as this analysis has shown, the approach was fraught with implementation challenges that undermined the goals of the program. One important problem was that the policy was crafted without consulting the financial aid community. Both Peterson (1983) and Marcus and Johnson (1986) note the importance of bringing, data, theory, and research to bear during a Blue Ribbon Commission. Financial aid directors or representatives of MSFAA could have spoken to the challenges of the credit-contingent merit-aid program but they were not involved for two reasons – financial aid was not explicitly part of the commission agenda and decisions related to design and implementation were made by a small group of policymakers in order to generate a "win" for the Governor.

The larger implication here is that neglecting the implementation process during the design of the program introduces an added expense to the campuses to track students for award reimbursements and places a number of students in the untenable position of covering a sizable expense above and beyond their EFC. What the U.S. Department of Education and the state failed to take into account was the potential scenario that a student would fail to meet either criteria. If a student failed a course or otherwise withdrew from a course (or more) during the semester, the student who anticipated to become eligible for the award ran the risk of falling short of the 60 credit criteria. Similarly, the same student might have failed to achieve the necessary 2.5 cumulative GPA. Both scenarios left the student assuming all the risk. Given they would not be eligible to cover that gap with federal student loans, they were likely to turn to the private markets where interest rates were considerably higher, if such loans were even available at all. Failure to meet the 60 credit criteria, at minimum, delayed the award by a full semester, and in rare cases, a student may have finished school without attaining the requisite 2.5 GPA and thus be denied the award.

The message for policymakers should be clear. Higher education is subject to a set of frequently competing goals, which play out in terms of policy preferences. The MPS was designed to incentivize students to finish two years of postsecondary education. Political pressures at the state level to replace a problematic merit program with something both more robust and also tenable to a Republican legislature created the conditions for advancing a partially developed solution. While the goal may have been consistent with the priorities of the state, it did not account for how these policies were actually implemented and what impact they may have had on the experiences of students. At a minimum, the financial aid community should have been a part of the conversation when this new scholarship was proposed.

In 2010, amidst severe budget cuts across state spending and persistently deep cuts to higher education, the state legislature eliminated the Michigan Promise Scholarship. The financial aid directors at the public four-year institutions had already argued that the MPS was not the best option for using state funds to help more students complete a postsecondary degree or credential. Recently, this group had proposed a need-based grant to replace the defunct MPS if Michigan is ever in a position to re-establish a signature financial aid program. The state was hard hit by the national recession, the effects of which were felt earlier in Michigan than in the rest of the nation, given the challenges facing the automotive industry in the middle part of the decade. After six years, revenues have exceeded projections for the first time, meaning at some point in the future, Michigan may be in a financial position to return some portion of funding to higher education.

The Michigan experience should be a cautionary tale for any state rethinking its financial aid priorities; it should serve as a reminder to the financial aid community that they must find ways to engage in the policymaking process. Policymakers are not elected because of any special expertise in the areas over which they craft legislation; rather, they are at best experts in the policy process. It is not reasonable to expect them to know the intricacies of the financial aid system, but they should be aware of their limitations and find ways to include relevant stakeholders, particularly those responsible for implementation. Similarly, financial aid directors are not interested in creating policy, but they understand the implication of policy for their work, and are willing to participate in the process. They understand how these programs affect students, and in many cases, are able to anticipate the potential consequences of proposed policy initiatives impacting financial aid.

We conclude with two recommendations for financial aid professionals across the country. First, find ways to connect to the policymaking process. For many financial aid professionals, that may mean active participation in state student financial aid associations or some other legislatively oriented advocacy organization. Others may consider direct relationships with elected state legislators. In order to be heard at the policymaking table, you have to find your way into the conversation. One particular useful resource is NASFAA's Federal Relations Tool Kit (2012), which assists financial aid administrators as they work with federal relations staff at their institutions to advocate for improved student aid legislation. Second, be prepared with a set of ideas or legislative priorities that can be pulled out at the appropriate time. One of the important lessons learned in Michigan was that the political winds of change blow in unpredictable ways and, as it turns out, those winds can blow frequently. It is difficult to know when the next window of opportunity will arise for policy action on financial aid, but financial aid professionals do not want to wait until that window opens to think about alternative solutions. By the time a proposal is developed, the political window will close and those ideas will have to wait until the next strong wind blows.

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