



Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 463 (Substitute S-3 as passed by the Senate)

Sponsor: Senator Darrin Camilleri

Committee: Education

Date Completed: 12-1-23

RATIONALE

For many Michigan students, college presents a serious financial burden. The Free Application for Federal Student Aid (FAFSA) provides students with financial resources that may decrease this burden; however, many students fail to take advantage of it. By June 2023, only about half (50.5%) of Michigan 12th graders had completed the FAFSA, ranking the State 31 out of 50 states and Washington, District of Columbia in FAFSA completion rates.¹ According to testimony before the Senate Committee on Education, completing the FAFSA may make attending college possible for many Michigan students. Accordingly, it has been suggested that students be required to complete the FAFSA before they graduate high school.

CONTENT

The bill would add Section 1278e to the Revised School Code to require a student to submit the FAFSA to the United States Department of Education, or receive a parental or alternative waiver, to graduate high school. The bill also would require data concerning FAFSA completion rates and granted waivers to be compiled and shared publicly.

Beginning in the 2025-2026 school year, the bill would prohibit the board of a school district or board of directors of a public school academy (PSA) from awarding a high school diploma to a student unless the student fulfilled the following conditions:

- The student had submitted the FAFSA to the United States Department of Education.
- The student's parent or legal guardian, or, if the student were 18 years of age or older or was an emancipated minor or an unaccompanied youth, the student had submitted a parental waiver to the school district or PSA, exempting the student from the requirement.

The parental waiver would have to be obtained through a standard form developed by the Department of Lifelong Education, Advancement, and Potential (MiLEAP) in consultation with the following organizations, at minimum:

- The Institute for College Access and Success.
- The Michigan College Access Network.
- The Michigan Immigrant Rights Center.
- The Wayne Regional Educational Service Agency.

A student also could be exempted from this requirement by a school district or PSA through an alternative waiver, which would be granted if the student was unable to complete the FAFSA due to privacy concerns. Additionally, an alternative waiver could be granted if all the following conditions were met:

¹ "Current FAFSA Completion Rates by State", www.national.fafsatracker.com. Retrieved on 10-25-23.

- After a good faith effort, the student's parent or legal guardian refused, was unresponsive, or could not sign the parental waiver.
- The student was unable to submit the FAFSA as an independent student.
- The student agreed to opt out of completing the FAFSA.
- Other than the requirement to complete the FAFSA, the student was on track to graduate.
- A school administrator of the student's high school demonstrated to the board of the school district or the board of directors of the PSA that good-faith efforts had been made to assist the student or the student's parent or legal guardian in meeting these requirements.
- The board of a school district or board of directors of a PSA ensured compliance with 42 USC 11432(g)(6)(a).²

The bill would require MiLEAP to create an informational packet that contained information regarding the following, which MiLEAP would have to provide to school districts and PSAs:

- The importance of completing the FAFSA for accessing Federal, State, institutional, and community-based financial aid to access and complete a college degree or postsecondary certificate.
- A list of available State-based financial aid made available through the FAFSA.
- How to properly complete and submit the FAFSA, including a breakdown of the information and documentation required for the completion and submission of the FAFSA, with particular attention given to the ability of unaccompanied youth and youth who were in foster care after the age of 13 to complete the FAFSA as independent students to the extent allowable under Federal law.
- Information regarding the parental waiver.
- The FAFSA timeline and submission deadline.
- Definitions of terminology used in the FAFSA.
- Submission of the FAFSA directly to schools or scholarship programs.
- The process required for properly completing the FAFSA verification process.

"Unaccompanied youth" would mean that term as defined in 42 USC 11434a: a homeless child or youth not in the physical custody of a parent or guardian.

Each school district and PSA would have to ensure that each student enrolled in a school district or PSA received the informational packet at least once before beginning grade 12. Additionally, each school district and PSA would have to take reasonable steps to provide equal language access to students and parents or legal guardians with limited English proficiency throughout the FAFSA submission and opt-out process.

By July 15, 2026, and each July 15 following, the board of a school district or the board of directors of a PSA that operated a high school would have to report to the Michigan Department of Education (MDE), and the MDE would have to make public and share with the Center for Educational Performance and Information (CEPI) the following information, disaggregated by school:

- The number of students enrolled who submitted a parental waiver.
- The number of students enrolled who were granted an alternative waiver.

² Federal law requires each school district to employ a local homeless education liaison, who, under Section 11432, must ensure that unaccompanied children are enrolled in school; have opportunities to meet the same challenging State academic standards as the State establishes for other children and youth; are informed of their status as independent students and may obtain assistance from the liaison to receive verification of such status for purposes of the FAFSA, among other things.

By August 15, 2026, and each August 15 following, for each school district and PSA that operated a high school, MiLEAP, in consultation with the MDE, would have to include all the following information on its website:

- The percentage of students who submitted the FAFSA.
- The percentage of students who completed the FAFSA.
- The percentage of parental waivers submitted.
- The percentage of alternative waivers that were granted.

The MDE would have to post the same information on its website within two weeks. It also would have to share data with MiLEAP, which would have to maintain the Michigan student scholarships and grants (MiSSG) data management system. This system would have to include student-level FAFSA data, including, at a minimum, data points of the completed, submitted, or not submitted status; submission date; verification label; missing student signature label; missing parent signature label; and processed date.

Before accessing the MiSSG data management system, the board of a school district or the board of directors of a PSA would have to ensure the following occurred:

- A school administrator would have to submit a data user agreement to MiLEAP and would have to annually resubmit a data user agreement to maintain access to the system.
- A school administrator would have to designate at least one authorized high school user to access the system.

Proposed MCL 380.1278e

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

The bill is similar to House Bill 4614 of the 2019-2020 Legislative Session.

BACKGROUND

The FAFSA

The FAFSA is a form that current and prospective college students complete to determine their eligibility for student financial aid. Students provide their demographic and financial information, as well as the information of their parents or legal guardians, if applicable. Results of the FAFSA are sent directly to the colleges and universities specified by the applicant. Among other forms of financial aid, the FAFSA determines eligibility for the Pell Grant, the Federal Supplemental Educational Opportunity Grant, and subsidized and unsubsidized loans. It also is a prerequisite for consideration under State-based aid such as the Michigan Achievement Scholarship.

Emancipated and Homeless Students

An emancipated minor is a minor who has been judicially emancipated from the minor's parents or has reached the age of majority and is free from the custody and control of the minor's parents.³ A minor may be emancipated either expressly or implicitly. Express emancipation is accomplished through a court order, such as voluntary emancipation by a

³ The age of majority is the age at which an individual is legally considered an adult, capable of voting, joining the military, and signing a contract. It differs by state or territory. Most states set it at 18; however, in, Alabama and Nebraska, the age of majority is 19. In Maine, the age is 21.

minor's parents. Implicit emancipation occurs when a minor reaches the age of majority and acts without parental consent.

In addition to the requirements described above, 42 USC 11432 prescribes grants for State and local activities for the education of homeless children and youth. Among other things, it authorizes the Secretary of State to make grants to states to enable them to carry out certain activities; namely, to provide homeless children and youths, as well as their families, access to educational resources.⁴

MiLEAP

On July 11, 2023, Governor Gretchen Whitmer signed an executive order creating MiLEAP. According to the Governor, MiLEAP's purpose is to build "an education system from preschool through postsecondary that can support our kids, families, and the economy of the future by ensuring anyone can make it in Michigan".⁵ The Order transferred several offices from other departments to MiLEAP, including the Office of Sixty by 30 from the Department of Labor and Economic Opportunity. It also created several new offices as part of MiLEAP, including the Office of Early Childhood Education, the Office of Higher Education, and the Office of Education Partnerships. The Department will partner with the MDE and the State Board, among other, to fulfill its goals.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Requiring students to complete the FAFSA could remove a knowledge barrier that prevents students, especially poor students, first generation students, and students of color, from attending college or other post-secondary institutions. According to testimony before the Senate Committee on Education, affordability is the biggest barrier to post-secondary education. Through the FAFSA, students and their families can access financial aid; however, many lack knowledge about its usefulness. For example, prospective first-generation college students may not have the familial or institutional guidance to recognize the opportunity. Students who believe they are not eligible for aid may discount the FAFSA before completing it. Additionally, some students, particularly students of color, may distrust the FAFSA due to experiences with institutional marginalization. Requiring every student to complete the FAFSA or an opt-out waiver would change the culture around the form, making it accessible and trustworthy. It also would change the perception of post-secondary education, making a college degree or other form of certification achievable.

Response: While the bill could remove the knowledge barrier surrounding college entrance, it also could worsen feelings of division. According to testimony before the Senate Committee on Education, students who chose to opt out of the FAFSA could feel insecure about their families' financial situations, among other reasons. Additionally, families who likely would not receive aid from the FAFSA could feel overburdened and resentful due to the requirement.

Supporting Argument

Requiring universal FAFSA completion would help develop Michigan's economy and contribute to the State's Sixty by 30 goal. In 2019, Governor Whitmer announced her intention to increase the number of working-age Michiganders with a skill certificate or college degree from 50.5% to 60% by 2030. This increase would allow more Michiganders to take advantage of employment opportunities; by 2031, almost 70% of all jobs in Michigan could require

⁴ For more information, see www.uscode.house.gov.

⁵ Executive Order 2023-6.

education beyond high school.⁶ Additionally, an educated workforce would grow the State's economy and make it nationally competitive. According to testimony before the Senate Committee on Education, the lack of a talented workforce in Michigan has deterred some business leaders from relocating. Requiring every student to fill out the FAFSA could increase the number of young adults attending college or skilled trades certification programs and contribute to economic growth through the creation of an educated talent pool.

Supporting Argument

Requiring universal FAFSA completion could inspire students to invest more in their education. According to testimony before the Senate Committee on Education, students hoping to attend college strive to perform well during high school. Receiving financial aid through the FAFSA could incentivize students to work hard during their senior year, furthering their success.

Opposing Argument

Requiring universal FAFSA completion could harm graduation rates. The FAFSA requires information from a student and the student's family. Families unwilling or unable to provide information, including sensitive information like immigration status, would have to obtain a parental waiver; however, the parental waiver process could be confusing or cumbersome. A student with a parent or guardian unwilling or unable to sign a parental waiver could obtain an alternative waiver; however, this could require the student to provide private information. Additionally, the waiver process would further burden students and school staff and counselors. Students in such circumstances are already vulnerable. Ultimately, this requirement could lead some to choose not to graduate high school instead of filling out the FAFSA.

Response: The bill's waiver process would be flexible for students and families in difficult circumstances. Requiring students, especially marginalized students, to complete the FAFSA would help them access the same opportunities as other students. Additionally, several other states require FAFSA completion as a graduation requirement. According to testimony before the Senate Committee on Education, graduation rates in those States have not decreased and the FAFSA completion rate has increased, especially for students from historically marginalized groups.

Opposing Argument

Students and families likely would need the help of school counselors to fill out the FAFSA; however, Michigan counselors already are overworked. During the 2019-2020 school year, Michigan had the second-highest student to counselor ratio in the nation at 671:1, far above the American School Counselor Association's recommended 250:1 ratio.⁷ According to testimony before the Senate Committee on Education, counselors have many responsibilities, from administrative work to helping students with their mental health. Requiring counselors to guide each student through the FAFSA, whether that student was college-bound or not, would increase their workload, potentially preventing them from accomplishing other tasks. The State should not require FAFSA completion for graduation and instead should focus on supporting its current counselors and developing a larger school counselor workforce.

Response: The bill would shift counselor priorities, not increase workload. Instead of focusing on explaining and convincing students and families to fill out the FAFSA, counselors could instead shift to helping students and families complete it. Additionally, the United States Department of Education plans to release a streamlined, more accessible FAFSA form for the 2024-2025 aid year. Counselors may not have to guide students and their families through this more accessible form.

⁶ Carnevale, Anthony P., "The U.S. economy is changing, but will Michigan change with it?" *Lansing State Journal*, April 27, 2022.

⁷ Altavena, Lily, "Michigan near rock bottom for the student to counselor ratios in the nation. How it affects students", *Detroit Free Press*, December 6, 2021.

Opposing Argument

High school graduation should be based solely on academic criteria. Requiring students to submit the FAFSA to graduate would not measure their academic prowess but other factors, including some outside of students' control, such as familial involvement. Students should not have to complete a non-academic, non-student-centric criterion to graduate.

Opposing Argument

Requiring universal FAFSA could contribute to the student debt crisis. In 2022, the average Michigander owed \$36,642.⁸ Student loan debt often proves burdensome, with many struggling to pay back their loans. Requiring universal FAFSA could increase the number of students with debt, especially because prospective college students may not know the conditions upon which grants, awards, and loans are distributed. Instead of improving students' financial future, the bill could lead some into debt.

Response: The bill requires MiLEAP to create an informational packet about the FAFSA. This would include definitions on terminology used in the FAFSA, which would likely include an explanation of loans and associated responsibilities. Students would have the necessary information to accept or reject FAFSA aid.

Legislative Analyst: Abby Schneider

FISCAL IMPACT

The bill would have a negative fiscal impact on State and local government. Districts would see increased costs from ensuring all students receive assistance and information regarding FAFSA completion, providing equal language access to students and parents or legal guardians with limited English proficiency, as well as additional reporting requirements regarding student FAFSA completion. The Department of Treasury, MiLEAP, and the MDE would see additional costs from reporting and material development requirements that would be completed within existing appropriations.

Fiscal Analyst: Ryan Bergan
Cory Savino, PhD

⁸ DesOrmeau, Taylor, "5 facts about how much student loan debt Michiganders have", *MLive*, August 25, 2022.

SAS\S2324\s463a

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.