

XI. Higher Educational Aids Board -- Valorie T. Olson, Executive Secretary

The board requests \$162,600 GPR in 1996-97 for the Academic Excellence Scholarship appropriation s. 20.235(1)(fy) to fully fund the program for the 1996-97 academic year. This involves the transfer of \$80,000 GPR from the Nursing Student Loan Program under s. 20.235(1)(cg), the transfer of \$15,000 GPR from the Independent Student Grant Program under s. 20.235(1)(fc) and a supplement of \$67,600 GPR from the Committee's appropriation under s. 20.865(4)(a).

Governor's Recommendation

Approve the request.

**Date:** March 27, 1997

**To:** Members, Joint Committee on Finance

**From:** Mark D. Bugher, Secretary  
Department of Administration

**Subject:** Section 13.10 Request from the Higher Educational Aids Board for the Academic Excellence Scholarship (AES) Program.

### Request

HEAB requests transfers and a supplement totaling \$162,600 GPR in 1996-97 to the Academic Excellence Scholarship appropriation s. 20.235(1)(fy) to fully fund the program for the 1996-97 academic year. The Board requests the transfer of \$80,000 GPR from the Nursing Student Loan Program under s. 20.235(1)(cg), the transfer of \$15,000 GPR from the Independent Student Grant Program under s. 20.235(1)(fc) and a supplement of \$67,600 GPR from the committee's appropriation (s. 20.865(4)(a)).

### Background

The 1989-91 Biennial Budget (1989 Wisconsin Act 31) created s. 39.41, Wisconsin Statutes, establishing the AES Program. This program provides scholarships for up to four years to selected high school seniors who have the highest grade point average (GPA) in each public and private high school in Wisconsin. The number of scholarships for which each high school is eligible is based on total student enrollment. To receive a scholarship, a student must attend a University of Wisconsin (UW), Wisconsin Technical College (WTC), or a private post-secondary institution in Wisconsin on a full-time basis. To remain eligible scholars must maintain at least a 3.0 GPA for each year enrolled and maintain satisfactory progress toward an associate or a bachelor's degree. Students who become ineligible can regain their eligibility if their GPA or progress towards degree improves.

For students currently enrolled in the UW or WTC systems, who received their initial scholarship prior to 1996-97, the AES program requires HEAB to make payments equal to 50% of the student's tuition and fees if that amount is matched by the institution. Within the UW system, campuses are allowed to use tuition remissions as part of the institutional match requirement. For students currently enrolled in private institutions, who received their initial scholarship prior to 1996-97, HEAB is required to pay 50% of

the cost of tuition and fees charged at the UW-Madison for resident undergraduates. Scholarships are awarded for a maximum of four years of education at a UW or private institution and for three years at a WTC institution.

1995 Wisconsin Act 27 provided that beginning in 1996-97, a maximum award of \$2,250 per academic year would be established. The cap, which limits the state's award to \$1,125, is being phased in over a four-year period and currently only applies to freshman scholars.

For the 1995-97 biennium, the AES program is funded through a biennial appropriation totaling \$5,989,900 with the funds allocated as follows: \$2,973,600 in 1995-96 and \$3,016,300 in 1996-97. According to HEAB, program expenditures for FY96 totaled \$3,058,496. Out of 3,158 students designated to participate in the program, 2,363 (75% of the pool of eligible students) chose to do so including 85% of eligible freshman. For the 1996-97 academic year, HEAB estimates 2,380 scholars are participating in the program, and 83% of eligible freshman accepted awards. Based on Spring enrollment data, HEAB estimates that \$3,178,900 will be required to award full scholarships to all scholars. Since the FY97 AES appropriation is \$3,016,300, HEAB projects a shortfall of \$162,600.

### Analysis

A number of factors have contributed to the shortfall of funds for the 1996-97 academic year; they include:

- The pool of eligible students has increased. Since high schools can designate one scholar for each increment of 500 students, increased enrollment increases the number of scholarships.
- More alternates are receiving scholarships. 1993 Wisconsin Act 457 expanded eligibility to allow alternate scholars to receive the scholarship if they have the same grade point as an initial award recipient who declines the scholarship. During 1996-97, 59 alternates received scholarships, this represents nearly a 50% increase over the 40 alternates in 1995-96.
- The FY97 increase in the AES appropriation, 1.4% over the 1995-96 base, was not adequate to cover increased program expenditures driven by growth in program participants, and increased tuition at UW and WTCS institutions which must still be covered under the original program eligibility provisions.

These factors have contributed to the \$162,600 shortfall in FY97. If HEAB does not receive a program supplement, s. 39.41(4)(b) allows HEAB to prorate awards. If required to do so, it is estimated that HEAB would have to reduce student awards by approximately \$68. Since institutions that enroll scholars are only required to match the actual award level, students could face a larger reduction. If institutions reduce their matching awards dollar for dollar, students would face a \$137 reduction in their awards.

While proration is possible, the Governor and the Legislature have demonstrated a commitment to fully funding the program.

- Program supplements have been approved in the past two fiscal years. In FY95 and FY96 appropriated funds were insufficient to make full payments to AES scholars. During both these fiscal years a supplement to the program appropriation was approved by the Joint Committee on Finance under s. 13.10. The supplement equaled \$125,000 GPR in FY95 and \$85,400 GPR in FY96.
- As noted above, AES scholarships, beginning with those awarded to freshman entering in 1996-97, are capped. With each passing year the cap will apply to more scholars, program costs will become more predictable, and the need for emergency supplements should be limited. HEAB projects that by FY99 the award cap should bring program resources into line with funding needs.
- HEAB projects a shortfall in FY98, (approximately \$201,000). However, the Governor has recommended a reallocation of agency funds in the 1997-99 budget, which, if enacted, should fully fund the program.

Another argument against proration is that it would arguably treat freshman scholars unfairly. While the statutes allow for proration, they direct HEAB to prorate all awards. Currently freshman scholars receive awards no greater than \$1,125, while upperclassman scholars receive approximately \$1,432. Prorating all awards would reduce freshman awards to \$1,057 and upperclassman awards to \$1,364. Since freshman are already subject to the grant cap that was instituted to bring program awards in line with resources, subjecting them to a further reduction could be perceived as placing an excessive burden on this class of students.

Finally, proration would be difficult for participating institutions to administer. Since tuition has already been collected for most of these students, participating institutions would have to separately bill each recipient or absorb the cost.

To help cover the projected shortfall and maintain the state's commitment to AES scholars, HEAB requests the transfer of funding from two other agency appropriations.

Members, Joint Committee on Finance  
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HEAB estimates that at the close of the fiscal year there will be \$80,000 GPR in unexpended funds in the Nursing Student Loan Program appropriation, s. 20.235(1)(cg), and \$15,000 GPR in the Independent Student Grant Program appropriation, s. 20.235(1)(fc). The excess funding in the Nursing Student Loan Program reflects the phased in termination of that program. No additional students were allowed to participate in the program effective with the 1995-96 academic year. The transfer of these sums would reduce the need for a supplement to \$67,600 GPR.

**Recommendation**

Approve the Request.

Prepared by: Peter Maternowski  
264-8259

Tommy G. Thompson  
Governor

Valorie T. Olson  
Executive Secretary



HEAB Mailing Address:  
Post Office Box 7885  
Madison, WI 53707-7885

FAX No. 267-2808

## State of Wisconsin Higher Educational Aids Board

131 West Wilson Street, Madison, Wisconsin

February 24, 1997

Mr. Dan Caucutt  
State Budget Office  
Department of Administration  
101 E. Wilson St., 10th Floor  
Madison, WI 53702

Dear Mr. Caucutt:

Enclosed are 40 copoes of the <sup>27</sup>required documents pertaining to HEAB's request of the Joint Committee on Finance, March ~~26~~, 1997, under s.13.10 for a supplements of \$162,600 GPR to the Academic Excellence Scholarship appropriation s.20.235(1)(fy) in an amount sufficient to fully fund the program. In addition, two copies have been sent per the requirements of the Co-Chairs of the Joint Committee on Finance to the Legislative Fiscal Bureau.

To help cover the shortfall, HEAB suggests the transfer of \$80,000 form the Nursing Student Loan Program s.20.235 (1)(cg) and \$15,000 from the Idependent Student Grant program s.20.235(1)(fc). By so doing the amount of supplement needed to cover the Academic Excellence Scholarship for 1996-97 would be \$67,600.

If additional information is required, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Valorie T. Olson".

Valorie T. Olson  
Executive Secretary

Enclosures

CC: Bob Wood, Governor's Office  
Julie Kane, Governor's Office  
Merry Larson, Legislative Fiscal Bureau  
Peter Maternowski, DOA Budget Analyst

Tommy G. Thompson  
Governor

Valorie T. Olson  
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## State of Wisconsin Higher Educational Aids Board

131 West Wilson Street, Madison, Wisconsin

February 24, 1997

The Honorable Brian Burke  
Joint Committee on Finance, Co-Chair  
100 N Hamilton, Rm. 302  
Madison, WI 53702

The Honorable Scott Jensen  
Joint Committee on Finance, Co-Chair  
Capitol Building, Rm. 315N  
Madison, WI 53702

Dear Senator Burke and Representative Jensen:

Enclosed is the s.13.10 request of the Higher Educational Aids Board (HEAB) for a supplement of \$162,600 GPR to the Academic Excellence Scholarship (AES) appropriation s.20.235(1)(fy) in an amount sufficient to fully fund the program. In addition, forty (40) copies have been sent to Dan Caucutt, Division of State Executive Budget and Finance and two (2) copies to the Legislative Fiscal Bureau.

In conformance with the s.39.41, I am requesting a supplement of \$162,600 GPR to the AES be placed on the March 26, 1997 agenda of Joint Finance.

To help cover the shortfall, HEAB suggests the transfer of \$80,000 from the Nursing Student Loan Program s.20.235(1)(cg) and \$15,000 from the Independent Student Grant program s.20.235(1)(fc). By so doing the amount of supplement needed to cover the Academic Excellence Scholarship for 1996-97 would be \$67,600.

If additional information is required, please contact me at 267-9865.

Sincerely,

A handwritten signature in cursive script that reads 'Valorie T. Olson'.

Valorie T. Olson  
Executive Secretary

Enclosures

CC: Bob Wood, Governor's Office  
Julie Kane, Governor's Office  
Merry Larson, Legislative Fiscal Bureau  
Peter Maternowski, DOA Budget Analyst

## ACADEMIC EXCELLENCE SCHOLARSHIP PROGRAM

The Higher Educational Aids Board will be represented by the Executive Secretary, Valorie T. Olson, at the March 26, 1997 meeting of the Joint Committee on Finance.

### Brief Summary of Request

The Higher Educational Aids Board (HEAB) requests of the Joint Committee on Finance, under s.13.10, a supplement of \$162,600 GPR to the Academic Excellence Scholarship appropriation s.20.235(1)(fy) in an amount sufficient to fully fund the program for the 1996-97 academic year.

It should be noted that the figure \$162,600 is based on the most accurate data available as of February 24, 1996. Subsequent data from the institutions may change the GPR dollar amount somewhat, but not significantly.

To help cover the shortfall, HEAB suggests the transfer of \$80,000 from the Nursing Student Loan Program s.20.235(1)(cg) and \$15,000 from the Independent Student Grant program s.20.235(1)(fc). By so doing the amount of supplement needed to cover the Academic Excellence Scholarship for 1996-97 would be \$67,600.

### Background

The Academic Excellence Scholarship (AES) program provides scholarships for up to four years to selected 12th grade students who have the highest grade point average (GPA) in each public and private high school in the state. The number of scholarships each high school is eligible for is based on total student enrollment. Scholars must attend, on a full-time basis, a University of Wisconsin (UW), Wisconsin Technical College (WTC), or a private non-profit post-secondary institution in Wisconsin. The scholars must maintain at least a 3.000 GPA for each year enrolled and maintain satisfactory progress toward an associate or bachelor's degree.

Currently for students enrolled in the UW or WTC systems, the AES program requires HEAB to make payments equal to 50% of the student's tuition and fees if that amount is matched by the institution. HEAB is required to pay 50% of the cost of tuition and fees charged at UW-Madison for students enrolled in private non-profit institutions. Beginning with the 1996-97 academic year, HEAB will pay \$1125 toward tuition, per 1995 Act 27 which placed a cap on this award.

The AES program is now in its seventh year of collegiate enrollment.

The Governor's 1995-97 biennial budget maintained the state's commitment to its top scholars by fully funding the AES program so that scholars received the full scholarship they expected.

The potential liability of this program can vary considerably from year to year due to one or more of the following factors:

- The number of eligible scholars as high school enrollments fluctuate.
- The number of students choosing to participate.
- Beginning in 1994-95, the number of alternates choosing to participate.
- The type of institution chosen by students.
- Increases in tuition.
- The number of scholars losing or regaining eligibility.

There are a number of factors which contributed to the shortfall of funds for the 1996-97 academic year, the most significant being:

- The AES appropriation increase for 1996-97 was not comparable to the increase in tuition and fees for 1996-97 and the increase in the number of scholars in both the public and private educational institutions. In 1996-97 the total number of students receiving the scholarship is 2,380 compared to 2,363 in 1995-96.
- The 1993 Wisconsin Act 457 expanded eligibility to allow alternate scholars to receive the scholarship if they have the same GPA as an initial recipient who turned down the award. During 1996-97, 59 students received the AES as alternates compared to 40 students in 1995-96.
- The AES is a very popular and successful program and well known throughout the state. Students believe the scholarship is worth striving for, and according to a survey of scholars conducted by HEAB, scholars are staying in Wisconsin, not only to attend college, but to work and live after college.
- The AES program is meeting its statutory intent of keeping the "best and brightest" in the State of Wisconsin. Of the total number of all possible scholars in the AES program in 1996-97, 85% of the scholars chose to attend a Wisconsin post-secondary institution as compared to 76% in 1991.

The 1996-97 freshman scholars are under the \$2,250 tuition and fees cap passed by the legislature in the 1995-97 biennium. College sophomores, juniors and seniors are grandfathered in and are not capped. Once the 1996-97 college sophomore, junior and senior scholars graduate from college, the need for additional funding will cease.

How the Request Meets the Statutory Criteria

The statutory intent of s.39.41 was to keep the "best and brightest" scholars in the State by providing full scholarships to all eligible students. The 1996-97 additional funding for the AES program maintains the state's commitment to its top scholars by providing the full scholarship they expected.

A survey conducted by HEAB indicated not only are more AES students staying in Wisconsin to pursue a college degree, more are graduating from Wisconsin institutions and 36% of graduates are employed full time in Wisconsin.

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Prorating awards for the first semester would be very difficult. HEAB does not receive precise enrollment data for the first semester from the institutions until late November. Second semester enrollment data is not verified by the institutions until February 28th.

Prorating the first semester would require us to make some wild guesses as to how many students would be enrolled and what institution they would attend. If HEAB would have prorated the awards for the first semester, the program staff would have had to use the worst case scenario and assume that all scholars were going to accept their award. In 1994-95, of the 3,107 scholars designated, 2,238 attended an institution in Wisconsin. If all students eligible had taken had taken advantage of the scholarship, it could have cost an additional \$1,172,146 and HEAB would have had to prorate awards to allow for that possibility. Prorating both semesters would have required making some of the same estimates. It is a real possibility that HEAB would prorate both semesters and have funds left over.

XI

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