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

Withdrawn.

XII

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

March 11, 1997

The Honorable Brian Burke
Joint Committee on Finance, Co-Chair
119 Martin Luther King Jr. Blvd., Suite #1
Madison, WI 53702

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

Dear Senator Burke and Representative Jensen:

Negotiations on the new Minnesota–Wisconsin Tuition Reciprocity Agreement were to be concluded during the week of February 24,1997.

Negotiations have not gone as we expected and a little more work needs to be done to achieve an agreement acceptable to both parties.

I am requesting that the new Minnesota–Wisconsin Tuition Reciprocity Agreement be withdrawn from the March 27, 1997 agenda of the 13.10 session of the Committee on Joint Finance.

HEAB will resubmit the request for the new Minnesota–Wisconsin Tuition Reciprocity Agreement at the 13.10 session in June, 1997.

Sincerely,

Valorie T. Olson

Valorie T. Olson
Executive Secretary

cc: Dan Caucutt, State Budget Office
Peter Maternowski, DOA Budget Analyst
Robert Lang, Legislative Fiscal Bureau
Merry Larson, Legislative Fiscal Bureau
Bob Wood, Governor's Office
Julie Kane, Governor's Office
Rick Berg, Lead Negotiator

Tommy G. Thompson
Governor

Valorie T. Olson
Executive Secretary

HEAB Mailing Address:
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State of Wisconsin
Higher Educational Aids Board

131 West Wilson Street, Madison, Wisconsin

February 26, 1997

The Honorable Brian Burke
Joint Committee on Finance, Co-Chair
Suite #1 - 119 Martin Luther King Blvd.
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 the new Minnesota-Wisconsin Tuition Reciprocity Agreement. 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.

I am requesting that in conformance with the s. 39.41, that the new Minnesota-Wisconsin Reciprocity Agreement be placed on the March 27,1997 agenda of Joint Finance.

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

Sincerely,

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
Executive Secretary

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Madison, WI 53707-7885

FAX No. 267-2808

State of Wisconsin
Higher Educational Aids Board

131 West Wilson Street, Madison, Wisconsin

February 26, 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 copies of the required documents pertaining to the new Minnesota-Wisconsin Tuition Reciprocity Agreement. 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.

I am requesting that in conformance with the s. 39.41, that the new Minnesota-Wisconsin Tuition Reciprocity Agreement be placed on the March 27,1997 agenda of Joint Finance.

If additional information is required, please contact me.

Sincerely,

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

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Madison, WI 53707-7885

FAX No. 267-2808

State of Wisconsin
Higher Educational Aids Board

131 West Wilson Street, Madison, Wisconsin

NEW TUITION RECIPROCITY AGREEMENT BETWEEN WISCONSIN AND MINNESOTA

The Wisconsin Higher Educational Aids Board will be represented by Executive Secretary Valorie T. Olson and Richard Berg, Wisconsin's lead negotiator at the March 27, 1997 meeting of the Joint Committee on Finance.

BRIEF SUMMARY OF REQUEST:

The current Tuition Reciprocity Agreement between Wisconsin and Minnesota is due to expire on July 1, 1998. Over the past twelve months, representatives of both states have been engaged in negotiating the contents of a successor agreement. Wisconsin's negotiating team has been led by Richard Berg, former Deputy Secretary of the Wisconsin Higher Educational Aids Board, and has included representatives from the University of Wisconsin System, the Wisconsin Technical Colleges Board, the Wisconsin Higher Educational Aids Board and the Wisconsin Department of Administration.

The Wisconsin Higher Educational Aids Board is now exercising its administrative responsibility for this agreement by bringing the new agreement before the Joint Committee on Finance for approval. Consistent with past practice, this new agreement is being brought forth for approval a year in advance of expiration of the current agreement. This is done so that students making decisions this summer and this fall on post-secondary options for the 1998-99 academic year will have the benefit of knowing what the terms of the new Tuition Reciprocity Agreement will be and can factor that information into their decision making process.

BACKGROUND:

Wisconsin and Minnesota have continuously had some form of tuition reciprocity agreement for over a quarter of a century. This agreement allows Wisconsin and Minnesota students to attend post-secondary schools in the adjacent state at resident tuition levels. "Resident tuition" is defined as the prevailing tuition rate the official state of residence. Technical Colleges also participate in this program although students enrolled in these studies pay resident tuition as determined by the state in which they attend school as opposed to their state of residence.

Wisconsin/Minnesota Tuition Reciprocity

The agreement has existed for the benefit of thousands of students who have enjoyed expanded educational opportunities under the terms of these agreements. By promoting the sharing of educational resources, both states have also been able to avoid some programmatic duplication by allowing students wider latitude in selecting a post-secondary school that best fits their needs, interests or geographical limitations. The Wisconsin/Minnesota Tuition Reciprocity Agreement can be found in Wisconsin Statutes s. 39.47.

The Wisconsin Higher Educational Aids Board is statutorily assigned the responsibility for administering this program. In Minnesota, the responsible state agency is the Minnesota Higher Education Services Office.

In 1995-96, approximately 9,312 Wisconsin students participated in this program by attending Minnesota schools, while approximately 11,731 Minnesota students attended Wisconsin schools. Wisconsin's percentage of students participating in the Wisconsin/Minnesota reciprocity program has been rising steadily since 1980-81 when 29.4 percent of all reciprocity students came from Wisconsin to 44.3 percent in the 1995-96 academic year. This trend toward greater Wisconsin student participation in the program has accelerated, particularly in the last five academic years.

The Wisconsin/Minnesota Tuition Reciprocity Program has traditionally resulted in financial benefits to Wisconsin's general fund. In the 1995-96 academic year, the combination of funds generated through the Tuition Reciprocity Payment calculation and the excess tuition paid by Minnesota students to Wisconsin schools (which flows to the state's general fund), yielded a positive cash flow of approximately $4.4 million to the state of Wisconsin. This amount has been decreasing in recent years due to the increased number of Wisconsin students participating in the reciprocity program and the growing disparity between Minnesota and Wisconsin tuition levels due to significantly higher tuition increases in Minnesota.

HIGHLIGHTS OF CHANGES TO AGREEMENT:

Negotiations on the agreement will likely conclude during the week of February 24, 1997. The specifics of the new agreement will be sent to members of the Committee on Joint Finance in advance of the March 27th meeting.

While final provisions of the new agreement are still being negotiated, it is believed that the following elements will be part of the agreement which will be brought before the Joint Committee on Finance for approval at their March 27, 1997 meeting.

1. Expiration Date: The new agreement contains no expiration date, but does have a clause which allows either state to terminate the agreement through written notification. If such an option is exercised, reciprocity benefits would be available only for the four-year time period following notification of intent to cancel.

Wisconsin/Minnesota Tuition Reciprocity

2. Graduate Student Tuition: The new agreement changes the way in which tuition rates are set for graduate students. The new provision states that graduate reciprocity students will pay the higher of the two state resident tuition rates. This will bring graduate student rates into line with other professional graduate programs in terms of how their tuition rates are set under the reciprocity agreement.

3. Twin Cities Campus Rate Change: The new agreement changes the way in which tuition rates are set for undergraduate students attending the University of Minnesota Twin Cities campus. The new language imposes an additional 'Reciprocity Enrollment Fee' for that specific campus. This Reciprocity Enrollment Fee will help close the substantial resident tuition gap that currently exists between the University of Minnesota-Twin Cities campus and the University of Wisconsin-Madison campus.

4. Paperless Application: The new agreement contains language promoting use of 'paperless applications' which will not only make it easier for students to apply for reciprocity enrollment through the use of computer technology, but will also ease the administrative burden faced by both states.

5. Distance Learning: The new agreement removes language from the old agreement that may have been a barrier to either state providing distance learning options in the other state.

6. Tuition Rate Setting: The new agreement makes it easier for Wisconsin's administrating agency to negotiate reciprocity tuition rates with Minnesota through the annual "Memorandum of Understanding" between the two states. The University of Wisconsin pushed strongly for this change to allow for more flexibility in setting tuition due to the growing number of new and unique post-secondary programs which are appearing in the educational marketplace.

7. Amendment Process: The new agreement contains language clarifying the process by which either state may seek to amend the agreement through written notification and negotiations.

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

March 25, 1997

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Revenue--Section 13.10 Request--Temporary Recycling Surcharge Rate

Attached is a paper, prepared by this office, on the temporary recycling surcharge rate. This item has been added to the agenda of the Committee's March 27, s. 13.10 meeting.

That meeting is scheduled to begin at 1:30 p.m.

BL/lah
Attachment

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

March 27, 1997

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Revenue--Section 13.10 Request--Temporary Recycling Surcharge Rate--Agenda Item XIII

Consistent with the Committee's action in December, 1996, the Secretary of the Department of Revenue has submitted a letter dated March 13, 1997, to the Committee with an option for a reduced recycling surcharge rate and the recommendation that changing the recycling surcharge rate should be considered during biennial budget deliberations.

BACKGROUND

The recycling surcharge is designed to apply to most businesses to generate revenues that are sufficient to fund appropriations from the state recycling fund. Under current law, a temporary surcharge of 5.5% of gross tax liability is imposed on corporations. There is a minimum payment of $25 and a maximum payment of $9,800. Corporations (including S corporations) and insurance companies with less than $4,000 in total receipts are excluded from the recycling surcharge.

Nonfarm sole proprietorships, partnerships, limited liability companies (LLCs) taxed as partnerships and S corporations are subject to a temporary surcharge of 0.4345% of net business income, again with a $25 minimum payment and a $9,800 maximum payment. Sole proprietorships and partnerships with less than $4,000 of gross receipts are exempt from the surcharge. Members of the clergy and noncorporate farms with less than $1,000 of net farm profits are also exempt from the surcharge. Noncorporate farms that are subject to the surcharge pay a flat amount of $25.

The rate of 0.4345% applied to the net business income of sole proprietors, partnerships, LLCs and S corporations is equivalent to the 5.5% rate applied to the gross tax liability of corporations. For corporations, gross tax liability is determined by applying the corporate tax rate of 7.9%, which equals a tax rate of 0.4345% when multiplied by the surcharge rate of 5.5%.

Each year the Department of Revenue, with the approval of the Joint Committee on Finance, is required to estimate the amount of revenue necessary to fund all appropriations from the state recycling fund in the following year and to adjust the recycling surcharge rate accordingly. The current 5.5% surcharge rate (0.4345% for sole proprietorships, partnerships, LLCs and S corporations) applies to tax years beginning on or after January 1, 1996. For tax years ending after April 1, 1999, the temporary recycling surcharge is eliminated.

Under current law, the Department of Revenue is required to submit the proposed temporary recycling surcharge rate to the Joint Committee on Finance for the quarterly s. 13.10 meeting in December. If the Committee approves the rate, it first applies to tax years beginning on or after the January 1, after the Department notifies the Committee; if the Committee disapproves of the proposed rate, the current rate remains in effect.

At the Committee's December 16, 1996, s. 13.10 meeting, the Department of Revenue submitted a recommendation that the current temporary recycling surcharge rate (5.5% or 0.4345%) should continue to apply for tax years beginning on or after January 1, 1997. However, the Committee failed to approve the Department's recommendation on a vote of 3 to 9 (with four members absent). Rather, the Committee requested the Department to: (a) develop a proposal for a reduced recycling surcharge rate that would make use of available balances in the recycling fund; and (b) submit the proposal to the Committee for consideration at its next meeting under s. 13.10.

The Secretary of Revenue has submitted a letter to the Committee which includes estimates of the surcharge revenues and recycling fund balances under the current rate, an option for a rate reduction and estimates of the recycling fund balance under the current surcharge rate and the provisions included in the Governor's budget.

The Department estimates that the current recycling surcharge rate would generate $42.5 million in 1996-97, $42.6 million in 1997-98 and $40.2 million in 1998-99. Expenditures are estimated to be $67.3 million in 1996-97, $37.0 million in 1997-98 and $30.4 million in 1998-99. The year-end balance in the recycling fund is projected to be $10.5 million in 1996-97, $16.5 million in 1997-98 and $27.2 million in 1998-99.

Because the temporary recycling surcharge will be eliminated beginning with tax years that end after April 1, 1999, the Secretary's letter includes an alternative surcharge rate that would cause the estimated balance in the recycling fund to approach zero by the end of 1998-99. The specific rate would be 3.5% for corporations and 0.2765% for nonfarm sole proprietorships, partnerships, LLCs, and S corporations, effective for tax years beginning on or after January 1, 1997. The Department of Revenue estimates that, under the reduced rate, surcharge collections would be $41.4 million in 1996-97, $30.7 million in 1997-98 and $28.9 million in 1998-99. The estimated year-end balance in the recycling fund would be $9.3 million in 1996-97, $3.5 million in 1997-98 and $2.2 million in 1998-99.

The letter also includes estimates of the year-end balance in the recycling fund under the provisions included in the Governor's budget. The Governor's 1997-99 biennial budget bill includes several provisions that would change current levels of recycling fund expenditures, including the: (a) transfer of $3,850,000 in 1997-98 to the general fund; (b) appropriation of $20,000,000 in 1997-98 to Commerce for a grant program for brownfields redevelopment and associated environmental remediation activities; (c) appropriation of $4,000,000 in 1997-98 to WHEDA for a brownfields redevelopment loan guarantee program; (d) appropriation of $500,000 ($275,000 in 1997-98 and $225,000 in 1998-99) to DOA for the development and maintenance of geographic information systems; (e) decrease of Recycling Market Development Board financial assistance by $11,686,000 ($5,843,000 annually); and (f) conversion of $146,400 ($73,200 annually) and 1.0 DNR position from GPR to recycling fund SEG.

As a result of the Governor's budget, DOR estimates that the ending balance in the recycling fund would be $10.5 million in 1996-97, $3.7 million in 1997-98 and $9.1 million in 1998-99. Because the budget contains several provisions which would affect the recycling fund, the Secretary of Revenue recommends that a temporary recycling surcharge rate change should be considered as part of budget deliberations.

It should also be noted that the Legislative Council Special Committee on the Future of Recycling voted on March 14, 1997, to recommend numerous changes in expenditures and funding for recycling programs. Of particular note are recommendations to: (a) maintain funding at $24 million per year for local recycling grants through 2004; (b) fund all recycling programs at approximately $33 million per year; (c) reduce the recycling surcharge rate from 5.5% to 2.75% of gross tax liability beginning with tax year 1998, exempt businesses with gross receipts of less than $1 million and exempt noncorporate farms; (d) delay the sunset of the surcharge from 1999 to 2004; and (e) reinstate the current tire recovery fee and increase it from $2 to $4 per tire (the current fee ends on June 30, 1997).

SUMMARY

As noted, at the December, 1996, s. 13.10 meeting, the Committee did not approve the recommendation of the Secretary of Revenue to continue to apply the current recycling surcharge rate for tax years beginning January 1, 1997. Rather, the Committee directed the Department to present an alternative reduced rate at the next meeting under s. 13.10. The Secretary has submitted an alternative for a reduced surcharge rate of 3.5% for corporations and 0.2765% for sole proprietorships, partnerships and S corporations. Further, the Department recommends that the temporary recycling surcharge rate be considered as part of budget deliberations. The present recycling surcharge rate remains in effect if the Committee disapproves the Department's recommendation. The current rate will also remain in effect if the Committee takes no action on this report.

ALTERNATIVES

1. Approve the DOR Secretary's recommendation to consider the recycling surcharge rate as part of the 1997-99 biennial budget deliberations.

2. Effective for tax years beginning on January 1, 1997, reduce the temporary recycling surcharge rate to 3.5% for corporations and 0.2765% for sole proprietorships, partnerships and S corporations. (Segregated recycling surcharge revenues would be reduced by an estimated $1,100,000 in 1996-97, $11,900,000 in 1997-98 and $11,300,000 in 1998-99.)

3. Take no action.

Prepared by: Ron Shanovich and Kendra Bonderud