



Legislative Fiscal Bureau

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

April 29, 2009

Joint Committee on Finance

Paper #468

Minority Aid Programs (HEAB & UW System)

[LFB 2009-11 Budget Summary: Page 401, #11; Page 656, #9]

CURRENT LAW

The Lawton minority undergraduate grant program (Lawton) provides need-based grants to resident minority undergraduates, excluding freshmen, who are enrolled at least half-time at a UW System institution. The minority undergraduate retention program (MURG) provides need-based grants to resident minority undergraduates, excluding freshmen, who are enrolled at least half-time time at a technical college, tribal college, or private, nonprofit, postsecondary institution in the state. Grant recipients are eligible for awards up to \$2,500 annually for eight semesters. Annual base funding for Lawton is \$6,175,800; annual base funding for MURG is \$794,900. By statute, the appropriation for the Lawton program is sum sufficient with increases linked to the average increase in resident undergraduate tuition in the UW System. The MURG appropriation is a sum certain appropriation.

The Advanced Opportunity Program (AOP) provides grants to minority and economically disadvantaged graduate students enrolled at UW System institutions. Annual base funding for AOP is \$7,799,500 and the appropriation is a sum certain appropriation.

GOVERNOR

Provide \$223,700 in 2009-10 and \$582,100 in 2010-11 to increase funding for the Lawton program by 3.6% in 2009-10 and by 5.6% in 2010-11.

Provide \$7,900 in 2009-10 and \$24,100 in 2010-11 to increase funding for MURG by 1% in 2009-10 and 2% in 2010-11.

Provide \$351,000 in 2009-10 and \$803,600 in 2010-11 to increase funding for AOP by 4.5% in 2009-10 and by 5.6% in 2010-11.

DISCUSSION POINTS

Lawton Grants

1. The Lawton program provides need-based grants to minority undergraduate students who are enrolled in the UW System as sophomore, juniors, and seniors. Since freshmen are not eligible for Lawton grants, this is a retention program. In 2007-08, 3,369 students received \$5,863,405 under the Lawton program; the average grant was \$1,740.

2. Under current law, increases in funding for the Lawton program are linked to the average increase in resident undergraduate tuition. Tuition rates are set by the UW System Board of Regents, generally at its July meeting. Although tuition rates for 2009-10 and 2010-11 are currently unknown, the UW System used estimated tuition increases of 5.5% annually during the 2009-11 biennium for the purposes of its budget request. Resident undergraduate tuition at the UW System's four-year institutions increased by 5.5% in 2007-08 and 2008-09.

3. The Governor's budget bill provides an increase in funding for the Lawton program that is less than is required under the statutory link in 2009-10. If the Committee approves the Governor's recommendation, the Committee would have to modify current law to suspend the link between increases in the Lawton appropriation and increases in average resident undergraduate tuition in the 2009-10 year.

4. The Department of Administration has indicated that it was the intent of the Governor to fund the Lawton program in accordance with the statutory link. Assuming tuition increases of 5.5% annually, funding for the Lawton program would increase by \$339,700 in 2009-10 and \$698,100 in 2010-11 from the base, which would represent increases of \$116,000 in 2009-10 and \$116,000 in 2010-11 to AB 75 (Alternative A2).

5. To offset the cost of additional increases in the Lawton grant program, the Committee could reduce the amount of funding provided for AOP, which is discussed below.

Minority Undergraduate Retention Grants

6. In 2007-08, \$751,896 was awarded to 792 students through the MURG program. Of this amount, \$376,655 was awarded to 501 technical college students, \$324,801 was awarded to 263 private college students, and \$50,440 was awarded to 28 tribal college students. The average award across all sectors was \$949. For technical college students, the average award was \$752; for private college students, the average award was \$1,235; and for tribal college students, it was \$1,801.

7. Funding for MURG has increased from \$693,100 to \$794,900, or 14.7%, over the most recent six biennia. By comparison, tuition at the technical colleges increased by 79.1% for

students enrolled in post-secondary and vocational-adult programs and by 83.8% for students enrolled in collegiate transfer programs over that time period. As tuition has increased at a faster rate than MURG funding, the value of MURG awards relative to tuition have decreased. In 1997-98, the average MURG award to technical college students (\$867) would have paid for 53.3% of tuition for a student enrolled in 30 post-secondary or vocational-adult credits. If the average MURG award to technical college students had increased by the same amount as the appropriation for the MURG program increased, or 14.7%, the average MURG award to technical college students would have been \$994 in 2008-09. This amount would have paid for 34.2% of tuition for a student enrolled in 30 post-secondary or vocational-adult credits.

8. The Committee could provide increases in funding for the MURG program based on increases in tuition as is required under current law for the Lawton program. In late March, the WTCS Board announced that technical college tuition will increase by 3.5% in 2009-10. Similar information is not yet available for members of the Wisconsin Association for Independent Colleges and Universities (WAICU), which are twenty of the private colleges and universities located in the state. However, tuition rates at the private colleges are set independently without direct state oversight. If the Committee were to base increases in funding for the MURG program on increases in tuition, these increases might be based in part on increases in UW System tuition instead of increases in the tuition charged by private colleges. UW tuition is set by the UW Board of Regents. Like the WTCS Board, the UW Board of Regents is comprised of state officials and gubernatorial appointees. As an alternative to the AB 75 funding level, the Committee could provide 4.5% annual increases in MURG funding, which would equal the average tuition increase approved by the WTCS Board (3.5%) and estimated increases in UW System tuition (5.5%) (Alternative B2).

9. If the Committee provided 4.5% annual increases in funding for MURG, funding for the program would increase by \$35,800 in 2009-10 and \$73,200 in 2010-11 from the base, which would represent increases of \$27,900 in 2009-10 and \$49,100 in 2010-11 to AB 75 (Alternative B2). To offset the cost of additional increases in the MURG program, the Committee could reduce the amount of funding for AOP, which is discussed below.

AOP Grants

10. The AOP program provides grants to minority and economically disadvantaged graduate students enrolled at UW System institutions. In 2007-08, the most recent year for which data is available, 76% of grants were provided to minority students. The UW treats AOP as a fellowship, rather than a grant program, making AOP recipients eligible for fringe benefits, such as health insurance. The AOP program is the only state-funded program that provides need-based grants to graduate students.

11. AOP provides grants to both resident and nonresident graduate students. In 2007-08, 622 students received AOP awards totaling \$6,409,449. Of these students, 428 were residents and 194 were nonresidents. Awards to nonresidents are higher than awards to residents due to the difference in resident and nonresident graduate tuition. Awards to nonresident students averaged \$15,408 in 2007-08 as compared to \$7,991 for resident students.

12. In 2008-09, resident graduate tuition increase by 4.0% at Madison and Milwaukee and 4.3% at the comprehensive campuses. Nonresident graduate tuition was frozen at all campuses in that year. Based on past practice, it is estimated that resident and nonresident graduate tuition would increase by an average of 3.3% annually during the 2009-11 biennium. As an alternative to the funding provided in AB 75, the Committee could provide annual increases in AOP funding of 3.3%. These increases would total \$257,400 in 2009-10 and \$523,300 in 2010-11 from the base, which would represent reductions of \$93,600 in 2009-10 and \$280,300 in 2010-11 from AB 75. There is no statutory link between AOP funding and increases in resident or nonresident graduate tuition (Alternative C2).

ALTERNATIVES

A. Lawton Grants

1. Approve the Governor's recommendation, which would increase funding by 3.6% in 2009-10 and 5.6% in 2010-11. To accomplish the AB 75 funding levels, modify current law to suspend the link between funding for the Lawton program and average increases in UW System tuition.

2. Modify the Governor's recommendation by increasing funding for the Lawton program by \$116,000 in 2009-10 and \$116,000 in 2010-11. This would provide 5.5% increases in funding, which would be consistent with projected increases in average UW System tuition.

| | |
|---------------|-----------------------------------|
| ALT A2 | Change to Bill Funding |
| GPR | \$232,000 |

3. Delete provision and modify current law to suspend the link between funding for the Lawton program and average increases in UW System tuition. Under this alternative, no increases to base level funding would be provided.

| | |
|---------------|-----------------------------------|
| ALT A3 | Change to Bill Funding |
| GPR | -\$805,800 |

B. MURG Program

1. Approve the Governor's recommendation, which would increase funding by 1% in 2009-10 and 2% in 2010-11.

2. Modify the Governor's recommendation by increasing funding for the MURG program by \$27,900 in 2009-10 and \$49,100 in 2010-11. This would provide increases in program

funding of 4.5% in each year of the biennium, which would be equal to the average of the tuition increase approved by the WTCS Board for 2009-10 and estimated UW System tuition increases.

| ALT B2 | Change to Bill Funding |
|---------------|-----------------------------------|
| GPR | \$77,000 |

3. Delete provision.

| ALT B3 | Change to Bill Funding |
|---------------|-----------------------------------|
| GPR | -\$32,000 |

C. AOP

1. Approve the Governor's recommendation, which would increase funding by 4.5% in 2009-10 and 5.6% in 2010-11.

2. Modify the Governor's recommendation by decreasing funding for AOP by -\$93,600 in 2009-10 and -\$280,300 in 2010-11. This would provide increases of 3.3% in each year of the biennium, which would be equal to the weighted average of increases in resident and nonresident graduate tuition in 2008-09.

| ALT C2 | Change to Bill Funding |
|---------------|-----------------------------------|
| GPR | -\$373,900 |

3. Delete provision.

| ALT C3 | Change to Bill Funding |
|---------------|-----------------------------------|
| GPR | -\$1,154,600 |

Prepared by: Emily Pope