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Student Financial Aid

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Student Financial Aid

Introduction

There are four primary sources of student financial aid: (1) the federal government; (2) state programs; (3) higher education institutions; and (4) other private and community-based organizations. Each year, approximately one-half of all resident undergraduate students attending Wisconsin public and private, nonprofit postsecondary institutions receive need-based financial aid. In 2006-07, the most recent year for which information is available, there were 394,884 financial aid awards totaling approximately \$1,015.8 million in financial assistance. Of the total amount awarded, two-thirds was awarded based on the students' financial need. The federal government determines the amount of need-based financial aid a student is eligible for, and funds the largest grant, loan, and work-study programs that make up the aid "package" that a student receives.

In 2006-07, 73.8% of need-based aid to resident undergraduates in Wisconsin was provided through a variety of federal programs. An additional 13.5% was funded by state programs administered by the Higher Educational Aids Board and the institutions themselves awarded 10.3% of the total. The remaining 2.4% was provided from private and other sources.

In determining a student's financial need, the resources of the student and his or her family are compared to the estimated cost of the student's education. The total cost includes tuition, food, housing, transportation, books, and miscellaneous day-to-day expenses. The student's financial need is the cost of education that the current methodology assumes cannot be covered by student or family resources. "Unmet need" is the remaining cost of education that cannot be met by either personal contribution or financial aid. This

"unmet need" can be met by additional parental contributions beyond what is assumed, student earnings apart from work-study aid, or reductions in costs by the student.

In 2006-07 resident undergraduate students received \$672.2 million in need-based student financial aid, consisting of: \$495.8 million in federal assistance (grants, loans, and work study); \$91.0 million in state grants through Higher Educational Aids Board programs; \$4.6 million from private sources; \$69.2 million from institutional grant, work, and loan programs; and approximately \$11.6 million from other programs.

Table 1 shows need-based financial aid for Wisconsin resident undergraduate students for the most recent five years for which data are available.

Table 1: Wisconsin Undergraduate Need-Based Financial Aid (\$ in Millions)

	2002-03	2003-04	2004-05	2005-06	2006-07
Students Receiving Aid	99,923	105,721	110,093	110,908	112,877
Cost of Education	\$1,250.7	\$1,397.8	\$1,534.5	\$1,599.6	\$1,774.2
Financial Need Total Aid (All Sources)	\$840.4	\$960.1	\$1,049.1	\$1,048.1	\$1,207.3
Unmet Need	<u>544.9</u>	<u>599.1</u>	<u>651.9</u>	<u>646.4</u>	<u>672.2</u>
	\$295.5	\$361.0	\$397.2	\$401.7	\$535.1
Unmet % of Financial Need	35.2%	37.6%	37.9%	38.3%	44.3%
% Chg in Total Aid	11.5%	10.0%	8.8%	-0.8%	4.0%

In 2006-07, need-based aid covered 55.7% of the remaining need, after family contributions, of those students eligible for aid. Between 2002-03 and 2006-07, the average cost of education for an undergraduate student increased by 25.6%, while average need-based aid per student from all sources increased by 9.2%.

This paper presents an overview of state and federal financial aid programs. The first section discusses the methodology used to determine student financial need. The second section briefly describes the various sources of financial aid. The third section provides a more detailed description of each financial aid program. The fourth section discusses the process used to distribute financial aid. The final section provides interstate comparisons.

Needs Analysis

The cost of postsecondary education varies greatly depending upon one's situation. In Wisconsin, the total cost of education, including tuition and fees, room and board, books and supplies, transportation and personal expenses, ranges from an average of \$26,209 at the private colleges to \$10,820 at the tribal colleges, with the Wisconsin Technical Colleges and the University of Wisconsin System institutions falling in between at \$11,146 and \$14,450, respectively. Individual student costs deviate greatly from these averages due to both institutional factors, such as tuition levels, and student factors, such as whether the student chooses to live on campus or at home. Financial aid is awarded based upon a systematic evaluation of a student's financial need, using the guiding principle that students and their families are primarily responsible, depending on their resources, for paying for a postsecondary, undergraduate education.

Congress has established a needs analysis system, referred to as the "federal methodology," which determines how much families and students must contribute towards the cost of their education. Students are expected to pay a part of their education from their earnings and savings. The contribution that a parent is expected to make takes into account family income, assets, number of children and other dependents in the household, number of family members enrolled in higher edu-

cation, liabilities, and unusual financial circumstances. The expected family contribution is determined from the portion of their income or assets that are determined to be "discretionary." In general, this family contribution increases with the family's discretionary income.

Although costs vary from school to school, the amount one is able to pay remains the same. The student's financial need is the difference between his or her expense budget for a school or college and the amount the family, including the student, is expected to contribute. The college then attempts to meet this need through an offer of a package of financial aid programs. Financial aid can be a combination of one or more types of assistance including scholarships, grants, loans, or work, depending upon a student's financial need and eligibility for a variety of programs.

In most cases, to be eligible to receive aid from the general need-based programs discussed in this paper, a student must:

- Demonstrate financial need.
- Have a high school diploma, a general educational development (GED) certificate, or have completed a high school education in a home setting.
- Be enrolled in a degree or certificate program.
- Be a U.S. citizen or an eligible noncitizen.
- Have a social security number.
- Make satisfactory academic progress in a degree or certificate-granting program, which is usually defined by the school, but often viewed as maintaining a "C" average.
- Register with the Selective Service, if required.

Some of the programs described in this paper such as the federal Stafford Loan and PLUS Loan programs require the student to be enrolled at least half-time, which is usually defined as at least twelve credits per year. This is not a requirement to receive federal aid under the Pell Grant, Supplemental Educational Opportunity Grant, Work-Study, and Perkins Loan programs. For students attending less than full-time, the cost of education is proportionately reduced, which in turn decreases their financial need and the amount of financial aid they can receive.

Another determination made when one applies for financial aid is the student's dependency status. Dependency status is based on whether the student is considered a dependent of his or her parents and consequently must report his or her parents' income as well as the student's own, or whether the student is financially independent of his or her parents. This determination is necessary because most student aid programs are based on the assumption that parents have the primary responsibility of paying for their childrens' education, whether they choose to or not. Students who have access to parental support, according to federal guidelines, should not receive financial aid at the expense of students who do not have that access. A student is considered independent for financial aid purposes if he or she is one of the following:

- At least 24 years of age.
- Married.
- A graduate or professional student.
- Someone with legal dependents other than a spouse.

- A orphan or ward of the court.
- A veteran.
- Serving on active duty in the U.S. Armed Forces.

Table 2 shows an estimate of a student base budget for a full-time resident undergraduate student for the 2008-09 academic year as prepared by the financial aid office at UW-Milwaukee. In both columns, the data is for a dependent student. The budget figures in the first column are for a student living at home with a parent and the figures in the second column are for a dependent student living away from home. In this estimate, tuition and fees account for 47.9% or 36.7% of the student's total budget, depending on whether he or she is living with a parent or away from home, while expenses other than tuition comprise the majority of the student's budget. In addition to the expenses shown for a dependent student, an independent student would have medical expenses estimated at \$1,178.

Table 2: Dependent Student Base Budget Estimates -- 2008-09 Academic Year (9 Months)

	Living With Parent	Living Away From Home
Tuition and Fees	\$7,576	\$7,576
Books/Supplies	950	950
Room	0	4,850
Board	3,650	3,650
Transportation	2,040	2,040
Medical	0	0
Personal/Misc.	<u>1,600</u>	<u>1,600</u>
Total	\$15,816	\$20,666

Sources of Financial Aid

Financial aid is provided by a number of sources:

Federal Government. In 2006-07, over 70% of the need-based financial aid to resident undergraduate students was provided by the federal government. This aid included \$165.7 million in need-based grants and \$312.0 million in loans. Approximately one-quarter of the cost of education of those receiving need-based financial aid in 2006-07 was met by federal funds. Table 3 provides expenditure levels for the major need-based financial aid programs administered by the U.S. Department of Education. These include grants, such as the Pell Grant and the Supplemental Education Opportunity Grant (SEOG); College Work Study; and loans, such as the Perkins Stafford Loans. Table 3 also shows expenditures for the Bureau of Indian Affairs Grant program which is administered by individual tribes. Since 1997-98, total need-based federal financial aid for Wisconsin students has increased by \$187.3 million, or 60.4%, from \$309.9 million in 1997-98 to \$497.2 million in 2006-07.

Higher Educational Aids Board (HEAB). The Higher Educational Aids Board is the primary agency responsible for the management and oversight of the state's student financial aid system for Wisconsin residents attending institutions of higher education. As such, HEAB administers state-funded, student financial aid programs and negotiates interstate higher education reciprocity agreements. The Board is a part-time, independent policy making body composed of 11 members: the State Superintendent of Public Instruction; one member from each of the UW Board of Regents, the Wisconsin Technical College System (WTCS) Board, and a Board of Trustees of an independent college or University in the state; three financial aid administrators and three undergraduate students, including one from the UW System, WTCS, and a private, nonprofit college or university in the state; and one member of the general public. Except for the State Superintendent, all Board members are appointed by the Governor. Student members of HEAB serve two-year terms while nonstudent members serve staggered, three-year terms. HEAB has a staff of 10.5 full-time equivalent employees including an Executive Secretary who is appointed by the Governor.

By statute, HEAB awards need-based grants "based on a formula that accounts for expected

Table 3: Federal Financial Aid Programs (\$ in Millions)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Pell Grant	\$68.5	\$80.0	\$83.4	\$86.7	\$107.8	\$125.6	\$137.7	\$144.0	\$135.5	\$136.6
SEOG	14.3	15.4	15.0	14.4	15.5	15.8	15.7	15.1	14.3	14.7
Bureau of Indian Affairs	2.5	2.7	3.1	3.0	3.4	3.9	4.2	4.7	4.8	5.6
Academic Competitiveness Grant	--	--	--	--	--	--	--	--	--	4.2
SMART Grant	--	--	--	--	--	--	--	--	--	3.2
LEAP/SLEAP	1.1	0.5	0.5	0.9	1.1	1.4	1.4	1.4	1.7	1.4
College Work Study	14.7	14.8	13.7	13.6	14.7	15.6	16.5	18.2	18.0	19.5
Stafford Loan	187.9	180.5	181.7	174.5	184.1	202.5	227.8	255.4	262.2	277.1
Perkins Loan	<u>20.9</u>	<u>22.6</u>	<u>22.5</u>	<u>24.3</u>	<u>24.9</u>	<u>28.6</u>	<u>34.7</u>	<u>37.1</u>	<u>34.7</u>	<u>34.9</u>
TOTAL	\$309.9	\$316.5	\$319.9	\$317.4	\$351.6	\$393.5	\$438.0	\$475.9	\$471.2	\$497.2
Percent Change	-6.9%	2.1%	1.1%	-0.8%	10.8%	11.9%	11.3%	8.7%	-1.0%	5.5%

parental and student contributions and is consistent with generally accepted definitions and nationally approved needs analysis methodology." Table 4 shows a history of funding for HEAB-administered need-based financial aid programs. Except for 2008-09, the data shown in the table reflects actual expenditures. Budgeted amounts are shown for 2008-09.

Prior to 1998-99, all aid programs were supported with state, general purpose revenue (GPR) dollars. A provision in 1999 Act 9, transferred funding for the Indian student assistance grant program from GPR to program revenue (PR) derived from tribal gaming compacts. Act 9 also created a Wisconsin Higher Education Grant (WHEG) program for tribal college students that is also funded with tribal gaming revenues.

In addition to the need-based programs shown in Table 4, HEAB administers the academic excellence scholarship (AES) program, which provides merit-based scholarships, and a scholarship for students studying to teach the visually impaired. Table 5 shows 2007-08 program expenditures and the number of students receiving aid for all HEAB financial aid programs. The total expenditure amount shown in Table 5 for 2007-08 differs from that shown in Table 4 due to the inclusion of the

Table 5: HEAB -- 2007-08 Program Expenditures

	Number of Awards	Total Expended	Average Award
WI Higher Education Grant			
UW Students	26,342	\$49,830,841	\$1,892
WTCS Students	23,828	16,905,950	709
Tribal College Students	291	408,558	1,404
Tuition Grant	10,073	24,928,869	2,475
Talent Incentive Grant*	4,560	5,682,769	1,246
Academic Excellence Scholarship	2,923	3,169,524	1,084
Indian Student Grant	847	764,150	902
Minority Student Grant			
Private College Students	291	375,241	1,289
WTCS Students	501	376,655	752
Handicapped Student Grant	57	90,364	1,585
Minority Teacher Loan	81	180,847	2,233
Nursing Loan Program	193	371,845	1,927
Teacher of the Visually Impaired	11	100,000	9,091
Teacher Education Loan	82	249,250	3,040
TOTAL	70,080	\$103,434,863	\$1,476

*Includes federal Leveraging Educational Assistance Partnership monies.

AES and teacher of visually impaired programs, which are not need-based, as well as federal funding provided for talent incentive grants.

University of Wisconsin System. The UW System currently administers two state-funded financial aid programs for minority and disadvantaged students: the advanced opportunity program and the Lawton minority undergraduate retention grant. In addition, individual campuses provided

Table 4: HEAB Need-Based Programs

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09**
Wisconsin Higher Ed. Grant									
UW Students	\$20,641,159	\$19,380,141	\$22,213,203	\$28,352,131	\$33,713,710	\$40,992,516	\$43,315,581	\$49,830,841	\$55,000,000
WTCS Students	13,879,602	14,157,863	14,369,851	14,796,980	14,628,703	15,792,630	16,684,004	16,905,950	17,548,000
Tribal College Students	432,280	399,776	402,789	402,200	405,800	403,720	408,991	408,558	424,000
Tuition Grant	23,181,819	21,141,847	22,431,409	21,738,985	22,483,699	25,510,951	22,757,519	24,928,869	26,077,500
Talent Incentive Grant*	4,598,887	4,322,235	4,581,699	4,445,242	4,835,689	4,426,129	4,461,770	4,228,924	4,503,800
Indian Student Grant	784,444	748,575	798,865	777,328	791,663	774,117	802,254	764,150	787,600
Handicapped Student Grant	83,210	107,049	96,827	123,800	98,325	115,975	108,540	90,364	123,800
Minority Retention Grant	698,376	720,542	737,850	741,858	767,895	752,284	748,297	751,896	794,900
Nursing Student Loan Program	N.A.	N.A.	449,499	379,486	389,479	407,122	386,653	371,845	450,000
Minority Teacher Loan **	239,952	238,662	240,007	225,162	156,912	219,301	211,000	180,847	262,100
Teacher Education Loan	250,000	240,000	271,500	239,750	275,000	272,175	212,925	249,250	275,000
TOTAL	\$64,789,729	\$61,456,690	\$66,593,499	\$72,222,922	\$78,546,875	\$89,666,920	\$90,097,534	\$98,711,494	\$106,246,700
Expenditure Change	24.7%	-5.1%	8.4%	8.5%	8.8%	14.2%	0.5%	9.6%	7.6%

N.A. Not applicable

*Does not include federal Leveraging Educational Assistance Partnership (LEAP) Supplemental (SLEAP) monies.

**Budgeted

\$54.3 million in gift and endowment funds for grants and loans in 2007-08.

Other State Agencies. The Departments of Veterans Affairs, Commerce, Public Instruction, and Military Affairs administer financial aid programs for select student groups.

Independent Colleges. Wisconsin's independent colleges and universities provide institutional aid for their own students in addition to federal or state programs.

Fund for Wisconsin Scholars. Established in 2007, the Fund for Wisconsin Scholars provides need-based grants to students who have graduated from Wisconsin public high schools and are enrolled in University of Wisconsin institutions and Wisconsin technical colleges. The first grants were awarded during the 2008-09 academic year and ranged in value from \$1,000 to \$5,000 annually. It is anticipated that in future years over 3,000 students will receive grants from the Fund yearly. These grants are awarded through the financial aid office of the institution the student attends and are not paid directly to the student. The Fund is financed through private sources and is endowed by a \$175 million gift from John and Tashia Morgridge made in December, 2007.

Financial Aid Programs

Financial aid may be provided in a number of forms:

Grants - direct forms of financial aid, usually provided on the basis of financial need, that do not have to be repaid. In 2006-07, state, federal, and institutional grant programs accounted for 48.7% of need-based financial assistance.

Loans - financial aid that must be repaid. These loans may have their interest partially subsidized by a governmental agency and, in order to gain

favorable interest rates, loan repayment may be guaranteed by a public or private agency. Some loans can have their principal forgiven if the recipient adheres to certain conditions, such as becoming a teacher in an inner city school or a physician in a medically underserved area. In 2006-07, student loan programs accounted for 46.5% of all need-based undergraduate financial assistance and 70.6% of non-need-based undergraduate financial assistance.

Scholarships - grants awarded completely or partly on the basis of grades, other achievements, or satisfying special conditions, such as a parent working for a particular employer or being a veteran.

Remissions, Reciprocity - institutions may remit or forego part of a student's tuition under certain conditions. In addition, states or individual institutions may have reciprocity agreements which enable a student from one state to attend a public institution in another state without having to pay nonresident tuition. Such an agreement exists between Minnesota and Wisconsin.

Different financial aid programs accommodate a range of policy objectives. Need-based grant programs are generally used to help equalize participation in higher education across income levels. Merit based aid, such as the academic excellence scholarship program in Wisconsin, encourage better high school performance and retain talent. Loans, primarily offered by the federal government, help students and families bridge the financial gap to future earnings. Finally, categorical aid, such as nursing or health professional grants, target specific professions or student populations for grants or loans.

The following section provides descriptions, based on statutory requirements and HEAB policy, of the principal financial aid programs available to Wisconsin students. Unless otherwise indicated, program data is for Wisconsin resident undergraduate students attending college in-state. The administering entity is indicated in parentheses

after the title of each program.

Grant Programs

1. Pell Grant (Federal). The Pell grant program provides roughly one-third of all grant aid awarded to Wisconsin undergraduate students making it the largest source of grant aid for those students. In 2006-07, 58,957 Wisconsin students received Pell grants totaling \$136.6 million with an average award of \$2,316.

Students who receive Pell grants tend to be from the neediest households. In 2005-06, more than three-quarters of all Pell grant recipients came from families with annual incomes of less than \$30,000; over 90% come from families with incomes of \$40,000 or less. The Pell grant is intended to be the base upon which other financial aid is built because, in general, students eligible for Pell grants are eligible for other forms of aid. In recent years, the Pell grant program has been administered like an entitlement program in that all eligible students have received the full amount of the grant as determined by their cost of attendance, expected family contribution (EFC), and enrollment status.

In 2008-09, undergraduate students whose EFC is less than \$4,041 are eligible to receive awards ranging from \$400 to \$4,731 annually. For students enrolled less than full-time, grants are reduced proportionately. To maintain eligibility for Pell awards, students must demonstrate satisfactory academic progress as defined by the institution they attend.

2. Supplemental Educational Opportunity Grant (Federal). The Supplemental Educational Opportunity Grant (SEOG) program provides need-based grants of up to \$4,000 per year to undergraduate students with exceptional financial need, with priority given to Pell Grant recipients. SEOG is a campus-based program and funds are allocated to participating institutions based on the amount received by the institution in 1999. Additional funds, when available, are allocated

based on the remaining need of the students enrolled in the institution. The SEOG program is administered by financial aid officers at each institution and awards are based on student financial need and the availability of funds. In 2006-07, SEOG awards of \$14.7 million were provided to 23,398 Wisconsin students, for an average of \$628 per grant.

3. Academic Competitiveness Grant (Federal). Created under the federal Higher Education Reconciliation Act (HERA) of 2005, the academic competitiveness (AC) grant program provides up to \$750 for the first year of undergraduate study and up to \$1,300 for the second year of study to eligible students. Actual award amounts will be based on the number of eligible students. To be eligible for an AC grant, a student must be: (1) a Pell Grant recipient; (2) enrolled at least half-time in an institution of higher education; and (3) have completed a rigorous secondary school program of study. Second-year students must also have a cumulative grade point average of at least 3.0 for the first academic year. In 2006-07, the first year that AC grants were awarded, 4,997 Wisconsin students received academic competitiveness grants totaling \$4.2 million with an average award of \$834.

4. National Science & Mathematics Access to Retain Talent (SMART) Grant (Federal). Also established under HERA, this program provides grants of up to \$4,000 for each of the third and fourth years of undergraduate study to eligible students. Students enrolled in degree programs requiring five years of coursework may also receive for a SMART grant in the fifth year. To be eligible for a SMART grant, a student must be: (1) a Pell Grant recipient; (2) enrolled at least half-time in an institution of higher education; (3) majoring in a physical, life, or computer science, mathematics, technology, engineering, or in a foreign language determined to be critical to national security; and (4) have a cumulative grade point average of at least 3.0. In 2006-07, 907 Wisconsin students received SMART grants totaling \$3.2 million with an

average grant of \$3,494.

5. Teacher Education Assistance for College and Higher Education (TEACH) Grant (Federal).

Beginning in 2008-09, the TEACH grant program provides grants of up to \$4,000 per year to students who intend to teach in a public or private elementary or secondary school that serves students from low-income families. If grant recipients do not fulfill the obligations of the program, the total amount of TEACH grants received will be converted to unsubsidized Stafford Loans.

6. Wisconsin Higher Education Grant (HEAB).

The WHEG program provides grants to resident undergraduate students enrolled at least half-time at UW and Technical College institutions and tribal colleges located in Wisconsin. Eligible students may receive grants of \$250 to \$3,000 per year for no more than 10 consecutive semesters. All awards are based on financial need. WHEG award amounts are calculated using formulas approved by HEAB.

WHEG awards are currently funded under three separate appropriations, one each for UW students, WTCS students, and tribal college students. HEAB approves three separate formulas for the distribution of funds under the WHEG program, one for each sector. Current law requires

the Board to award grants based on a formula that accounts for expected parental and student contributions and that is consistent with nationally approved needs analysis methodology.

In 2007-08, a total of \$67,145,349 was expended for WHEG grants to students in all three sectors. Of the total, 26,342 UW students received \$49,830,841 GPR, 23,828 WTCS students received \$16,905,950 GPR, and 291 tribal college students received \$408,558 PR. Table 6 shows WHEG program expenditures from 1998-99 through 2007-08.

Under current law, the WHEG-UW appropriation is a sum sufficient appropriation that is linked to the average percent increase in resident undergraduate tuition in the UW System. This link, which was established by 2001 Act 109 and modified by 2005 Act 25, has been suspended in each biennium since it was established. Under 2003 Act 33 the link was suspended and GPR support for WHEG-UW was reduced during the 2003-05 biennium. In that biennium, a transfer of PR funding from the UW System's auxiliary enterprises appropriation was used to replace GPR and to fund increases in expenditures for WHEG-UW. During the 2005-07 budget process, the Legislature deleted the PR appropriation for WHEG-UW, replaced the PR funding with GPR funds, and increased total program funding by 6% in each year of the 2005-07 biennium on a sum

Table 6: Wisconsin Higher Education Grants*

	UW System			Wisconsin Technical Colleges			
	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award	Total
1998-99	18,379	\$17,470,802	\$951	15,561	\$11,795,124	\$758	\$29,265,926
1999-00	16,669	16,854,074	1,011	15,173	11,354,630	748	28,208,704
2000-01	17,943	20,641,159	1,150	18,892	13,879,602	735	34,520,761
2001-02	19,149	19,380,141	1,012	20,246	14,157,863	699	33,538,004
2002-03	20,505	22,213,203	1,083	20,112	14,369,851	714	36,583,054
2003-04	22,820	28,352,131	1,242	20,232	14,796,980	731	43,149,111
2004-05	26,108	33,713,710	1,291	23,497	14,628,703	623	48,342,413
2005-06	24,345	40,992,516	1,684	24,211	15,792,630	652	56,785,146
2006-07	24,685	43,315,582	1,755	23,945	16,684,004	697	59,999,586
2007-08	26,342	49,830,841	1,892	23,828	16,905,950	709	66,736,791

* Excludes WHEG-Tribal Colleges.

Table 7: Tuition Grant Program

	Number of Students	Expenditures	Average Award
1998-99	9,406	\$18,090,754	\$1,923
1999-00	9,306	17,412,235	1,871
2000-01	12,343	23,181,819	1,878
2001-02	11,089	21,141,847	1,907
2002-03	11,673	22,431,409	1,922
2003-04	10,392	21,738,985	2,092
2004-05	10,880	22,483,699	2,067
2005-06	10,818	25,510,951	2,358
2006-07	9,146	22,757,518	2,488
2007-08	10,073	24,928,869	2,475

certain basis. In addition, a partial veto of 2005 Act 25 provided an additional \$8 million in GPR funding for WHEG-UW in 2005-06. Under 2007 Act 20, the sum sufficient link was suspended for a third time to provide increases in funding of approximately 15% in 2007-08 and 10% in 2008-09. By comparison, tuition at the UW System's four-year campuses increased by 5.5% in each year of the biennium.

7. Tuition Grant (HEAB). The tuition grant (TG) program provides need-based funds to resident undergraduates who attend private, nonprofit postsecondary institutions in Wisconsin. Students enrolled at least half-time are eligible for grants ranging from \$250 to \$2,900 per year for no more than 10 semesters. In 2007-08, a total of \$24,928,869 GPR was expended for tuition grants to 10,073 students. In that year, the average award was \$2,475. The private colleges with the largest number of TG recipients in 2007-08 were Marquette University (1,194), Alverno College (1,109), and Carroll College (835). Table 7 shows TG program funding from 1998-99 through 2007-08.

Award amounts for TG recipients are determined using a statutory formula that relies in part on the amount by which the student's tuition exceeds UW-Madison tuition. Therefore, in the case of two applicants with the same expected family contribution, the applicant for whom this tuition differential is greater would be eligible to receive a larger award. Tuition grants are calculated by

HEAB based on student need as established using the Federal Methodology. Separate formulas are used for dependent and independent students such that larger grants are provided to dependent students. Each year HEAB approves a formula for distribution of TG funds which is based on the percentage of students expected to decline the awards (overawards). Overawards are limited by statute to 22% of the anticipated grants.

Prior to 2001 Act 16, the maximum award was statutorily set at \$2,300. Act 16 authorized HEAB to establish the maximum grant award if the Board determines that increasing the grant maximum would not decrease the total number of grant recipients receiving an award in the current year from the number who received an award in the previous year.

8. Talent Incentive Grant Program (HEAB). This program (known as "TIP") is intended to enhance educational opportunities and encourage attendance in postsecondary educational institutions. These grants are restricted to the most needy and educationally disadvantaged students selected by the staff of the Wisconsin Educational Opportunity Program (WEOP) in the Department of Public Instruction and institutional financial aid officers. TIP is supported by state general fund monies and federal funds through the Leveraging Educational Assistance Partnership (LEAP) Program and the federal Special Leveraging Educational Assistance Partnership (SLEAP) Program. These monies are distributed to states on a formula basis and can only be used to supplement financial aid programs that are not restricted to students attending a particular type of institution. LEAP funds must be matched on a dollar-for-dollar basis with state funds; for SLEAP funds, the required match is two state dollars for every one federal dollar. Total TIP expenditures in 2007-08 were \$5,682,769, of which \$4,228,924 was GPR funded.

Only students receiving TIP awards as freshmen are eligible to receive awards as upperclassmen; a student is eligible for a TIP award for no

Table 8: Talent Incentive Grant Program*

	UW System			Wisconsin Tech Colleges			Private Colleges		
	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award
1996-97	2,405	\$2,290,069	\$952	1,313	\$1,256,262	\$957	1,125	\$1,192,784	\$1,060
1997-98	2,160	2,362,929	1,094	1,127	1,047,305	929	1,032	1,150,927	1,115
1998-99	2,257	2,449,785	1,085	1,041	1,230,974	1,041	969	1,139,885	1,176
1999-00	2,130	2,254,554	1,058	1,075	1,147,670	1,068	901	1,042,297	1,157
2000-01	2,100	2,735,493	1,303	1,091	1,402,828	1,286	889	1,280,521	1,440
2001-02	2,188	2,756,147	1,260	1,119	1,344,032	1,201	901	1,239,707	1,376
2002-03	2,268	2,891,663	1,275	1,253	1,607,669	1,283	948	1,289,432	1,360
2003-04	2,199	2,839,034	1,291	1,180	1,497,729	1,269	982	1,324,902	1,349
2004-05	2,293	2,979,541	1,299	1,435	1,707,479	1,190	1,030	1,404,122	1,363
2005-06	2,244	2,896,636	1,291	1,492	1,723,192	1,155	993	1,342,824	1,352
2006-07	2,245	2,867,590	1,277	1,327	1,580,302	1,191	948	1,255,985	1,325
2007-08	2,290	2,908,293	1,270	1,221	1,417,426	1,161	954	1,251,200	1,312

*Includes both state funds and federal state student incentive grant monies.

more than 10 consecutive semesters. Freshmen TIP awards are made by financial aid officers and WEOP counselors and HEAB determines the awards for those who continue to enroll as upperclassmen. Unlike other financial aid programs, TIP funding is guaranteed, by statute, for continuing upperclassmen, thus obligating HEAB to four years of support once an initial award is made.

Students may be awarded both a maximum TIP award as well as a maximum WHEG or TG award. Freshmen may receive TIP awards of \$600 to \$1,800 while the maximum award for upperclassmen varies from year to year depending on the amount of federal funds received. In 2006-07, the maximum was \$1,400. Table 8 shows TIP expenditure levels for the UW System, WTCS, and private college sectors from 1998-99 through 2007-08.

9. Handicapped Student Grant (HEAB).

Under this program, Wisconsin residents who are enrolled as undergraduates at an in-state or eligible out-of-state public or private, nonprofit postsecondary institution and who have a hearing or visual impairment are eligible for financial assistance. The eligible out-of-state institutions include Rochester Institute of Technology (NY), Gallaudet College (DC), St. Paul Technical and Vocational Institute (MN), St. Mary's Junior College (MN), California State University-Northridge National Center on

Deafness, and Northern Illinois University. All awards are based on financial need. Students are eligible for a maximum grant of \$1,800 a year for up to 10 semesters in addition any grants received under the WHEG or TG programs. Additional costs such as special equipment and materials are included along with expenses covered in the standard student budget. In 2007-08, 57 hearing impaired or visually impaired students received a total of \$90,364 under this program with awards averaging \$1,585. The largest group of award recipients (21) attended University of Wisconsin System institutions. Six students attended out-of-state colleges, with four enrolled at Rochester Institute of Technology and two enrolled at Gallaudet University.

10. Indian Student Assistance Grant (HEAB).

These funds are awarded to residents who are at least one-quarter Native American or are recognized as a member of a tribe by the appropriate tribal government. Full- and part-time graduate and undergraduate students who attend accredited institutions of higher education in the state are eligible for financial assistance. Grants are based on financial need and may be received for a total of five years. Funding for the program is from program revenues derived from the state's Indian gaming compacts. In 2007-08, 393 students enrolled at Wisconsin tribal colleges received grants totaling

\$342,250. UW institutions enrolled 203 students who received \$194,471; Wisconsin Technical Colleges enrolled 200 students who received \$182,909; and there were 51 students enrolled in private institutions or proprietary schools who received \$44,520. Statewide, the average grant was \$902.

11. Minority Undergraduate Retention Grant (HEAB). Under this program, awards are made to resident minority undergraduates, excluding freshmen, enrolled at least half-time at the Wisconsin Technical Colleges, tribal colleges, or private, nonprofit postsecondary institutions in the state. By statute, a minority student is defined as a student who is African American, Native American, Hispanic, or from Cambodia, Laos, or Vietnam and admitted to the U.S. after December 31, 1975. Awards are based on financial need with a maximum grant of \$2,500 a year for up to eight semesters. HEAB allocates half of all funds to the technical colleges and half to private institutions and tribal colleges.

In 2007-08, \$376,655 was awarded to 501 technical college students with an average award of \$752. A total of 291 students attending private colleges or tribal colleges received \$375,241 with an average award of \$1,289.

12. Ben R. Lawton Minority Undergraduate Grant (UW System). The Lawton Grant provides financial assistance to minority resident and Minnesota reciprocity undergraduate students who demonstrate financial need. Sophomores, juniors, and seniors, enrolled for at least six credits, are eligible for up to eight semesters of support and an annual maximum grant of \$2,500. Since freshmen are not eligible for Lawton grants, this is a retention, rather than a recruitment, program. Lawton grants are provided as "last dollar" grants, which means that they are awarded after all other aid for which a student is eligible has been determined. In 2007-08, 3,369 students received a total of \$5,863,405 averaging \$1,740 per grant.

Like WHEG-UW, the appropriation for the

Lawton grant program is a sum sufficient appropriation that is linked to the average percent increase in resident undergraduate tuition in the UW System. This link, which was also established by 2001 Act 109 and modified by 2005 Act 25, was suspended in the 2003-05 and 2005-07 biennia. Under 2003 Act 33, base GPR support remained at \$3,080,800 annually, while supplemental funding of \$761,500 PR in 2003-04 and \$1,842,100 PR in 2004-05 was provided through a transfer of funding from the UW System's auxiliary enterprises appropriation. Under 2005 Act 25, the PR funding was deleted and GPR funding of \$5,218,300 in 2005-06 and \$5,531,400 in 2006-07 was provided for the 2005-07 biennium.

During the 2007-09 biennial budget process, it was estimated that resident undergraduate tuition would increase by 6.8% in 2007-08 and 4.5% in 2008-09. Lawton funding increased by these percentages to \$5,907,500 in 2007-08 and \$6,175,800 in 2008-09.

13. Advanced Opportunity Program (UW System). The AOP program provides grants to minority and economically disadvantaged graduate students enrolled at UW institutions. In 2007-08, the most recent year for which data are available, 76% of the grants were provided to minority students. Eligibility requirements vary by campus but are primarily based on financial need and/or academic performance. This is the only state-funded financial aid program that provides funds to nonresident students who are not covered by the Minnesota-Wisconsin Higher Education Reciprocity Agreement. There are no statutory limits on the grant amount or number of eligible semesters.

In 2007-08, 622 students received AOP awards totaling \$6,409,449; 428 residents received awards averaging \$7,991 and 194 nonresidents received awards averaging \$15,408. The UW treats AOP as a fellowship, rather than a grant program, thus making AOP recipients eligible for fringe benefits, such as health insurance. Because nonresident AOP

recipients also receive tuition remissions, the value of these grants to nonresidents is considerably higher than the amount of the AOP award. AOP recipients are also eligible for assistantships. Total funding is \$7,799,500 in 2008-09.

14. Bureau of Indian Affairs (BIA) Grant (Federal). Need-based grants are available to students who are members of, or at least one-quarter descendents of a member of, a federally recognized tribe and who meet eligibility criteria established by the tribal affiliations. The appropriate tribal office selects eligible students and determines the amount of each award. The student is eligible for a BIA grant for up to five years. In 2006-07, 1,242 students received BIA grants totaling \$5,620,333 with an average award of \$4,525. Of these grant recipients, 441 were enrolled at Wisconsin tribal colleges, 346 were enrolled in Wisconsin technical colleges, 315 were enrolled in UW System institutions, and 140 were enrolled at private colleges or proprietary institutions.

15. Veterans Tuition and Fee Reimbursement Grants (Veterans Affairs). This program provides reimbursement, upon an eligible veteran's successful completion of a semester, of up to 100% of the cost of the individual's undergraduate tuition and fees, less any other grants, scholarships, or remissions received, based on the costs of a UW-Madison resident undergraduate. A separate program, described later in this paper, provides tuition remissions to eligible veterans who attending UW System and Wisconsin Technical College System institutions. The veterans tuition and fee reimbursement grants apply to the unremitted portion of tuition and fees at those institutions. The veteran may enroll on a full-time or part-time basis at any UW institution, Wisconsin technical college, approved private post-secondary institution, public or private high school, or similar institution that has a reciprocity agreement with Wisconsin. Part-time students may also be reimbursed for courses taken at out-of-state institutions if the institution is within 50 miles of the veteran's residence and the state boundary and if a correspondence course is

not offered in this state.

Veterans are eligible for reimbursement based on their length of service. Veterans that were on active duty for at least 90 days may be reimbursed for up to 30 credits or two semesters; veterans with at least 181 days of active duty service are eligible for up to 60 credits or four semesters; and veterans with at least 731 days of active duty service are eligible for up to 120 credits or eight semesters.

Veterans are eligible for tuition and fee reimbursement for full-time study only for credits begun prior to their 10-year anniversary of their separation from active duty. Up to 60 credits of part-time study may be reimbursed with no time limits. Eligibility is restricted to veterans with incomes of \$50,000 or less (plus \$1,000 for each dependent in excess of two). Veterans are not eligible for reimbursement if they are eligible for National Guard tuition reimbursement or if they have an undergraduate degree. For information on claiming reimbursement, see the Legislative Fiscal Bureau's "State Programs for Veterans" informational paper.

In 2007-08, 1,823 tuition and fee reimbursement grants were awarded, totaling \$2,645,600 SEG from the veterans trust fund and averaging \$1,451 each.

16. National Guard Tuition Grants (Military Affairs). Wisconsin National Guard members are eligible to receive reimbursement grants equal to 100% of the maximum resident undergraduate tuition rates charged by UW-Madison for a comparable number of credits. The grants may be received for up to eight semesters of full time study or 120 credits of part-time study. Eligibility is limited to enlisted members and warrant officers of the Wisconsin National Guard who do not hold a bachelor's degree or its equivalent. Reimbursement of tuition may be obtained by National Guard members who were enrolled at any accredited institution of higher education in Wisconsin or out-of-state institution that has a reciprocity agreement with this state, including certain institutions in Minnesota, Michigan, Illinois and Iowa. No Na-

tional Guard member may receive a reimbursement grant under this program in any semester in which the person also receives a grant under the veterans tuition and fee reimbursement grant program. In 2007-08, 2,294 grants were awarded, totaling \$3,702,700 GPR. Average fall and spring semester grants were \$1,694 and average summer session grants were \$887. Beginning in 2005-06, National Guard members that classify as veterans may be eligible for tuition remissions at University of Wisconsin System and Wisconsin Technical College System institutions.

Forgivable Loan Programs

1. Nursing Student Loan (HEAB). Created under 2001 Act 16, the nursing loan program provides loans to Wisconsin residents who are enrolled at least half-time at an eligible in-state institution that prepares them to be licensed as registered (RN) or licensed practitioner (LPN) nurses. The maximum award per year is \$3,000 with an overall maximum of \$15,000. To be eligible for the program, students must agree to be employed as a licensed nurse in this state. Loans are forgiven at a rate of 25% for each of the first two years that the recipient is employed full-time as a nurse or nurse educator in Wisconsin. Forgiveness may be prorated for individuals working less than full-time. The balance remaining after forgiveness must be repaid at an interest rate not to exceed 5% annually. If the student does not practice nursing in Wisconsin or otherwise meet the eligibility criteria, the loan must be repaid at an interest rate not to exceed 5%. In 2007-08, 193 students received loans totaling \$371,845. More than half of the recipients (102) attended WTCS institutions, 65 attended an independent college or university, and 26 attended the UW System. In 2008-09, \$450,000 GPR is budgeted for the nursing student loan program.

Under the forgiveness component of the program, out of 1,202 borrowers, over 87% had their loans either forgiven or have paid them in full. An additional 4% are either in forgiveness or

repayment, still enrolled, or withdrew from the program and refunded the money. The remaining 9% have deferred loan repayment, are in forbearance, or have defaulted; of those students, 105 have defaulted on their loans and two are in forbearance.

2. Minority Teacher Loan (HEAB). This program provides loans, at 5% interest, of up to \$2,500 per year to a maximum of \$5,000, to resident minority undergraduate students who: (1) are enrolled at least half-time at a UW campus or private, nonprofit postsecondary institution in Wisconsin; (2) are registered as juniors or seniors, or hold a bachelor's degree and are registered as special students; (3) are enrolled in programs leading to teacher licensure and are not currently licensed; (4) meet academic criteria specified by HEAB; and (5) agree to teach in a school district located in the state in which minority students constitute at least 29% of total enrollment or in a school district participating in the interdistrict pupil transfer (Chapter 220) program. The loan principal and interest is forgiven at a rate of 25% for each year the recipient teaches in an eligible school district. If the student does not teach in an eligible district, the loan must be repaid with the funds deposited in the general fund.

For 2007-08, a total of \$180,847 was expended for 81 students, averaging \$2,233 per student. Of these students, 63 were enrolled at UW institutions and 18 were enrolled at private colleges. UW-Milwaukee, with 50 students, had the most participants. Under the forgiveness component of the program, out of 1,319 borrowers, over 42% had loans either forgiven or paid in full. An additional 25% are either in forgiveness or repayment, approximately 15% are still enrolled at least half-time in school, and 12% withdrew from the program and refunded the money. The remaining 6% have deferred loan repayment, are in forbearance, or have defaulted; of those students, 67 have defaulted on their loans and five are in forbearance. In 2008-09, \$262,100 GPR is budgeted for the minority teacher loan program.

3. Teacher Education Loan Program (HEAB). This program provides loans to Wisconsin residents enrolled in the teacher education programs at the Milwaukee Teacher Education Center (MTEC). Loan recipients must agree to teach in a first-class city school system under Chapter 119 of the statutes (Milwaukee Public Schools). For each year the student teaches in the eligible school district, 50% of the loan is forgiven. If the student does not teach in the eligible district, the loan must be repaid at an interest rate of 5%.

For 2007-08, a total of \$249,250 was expended for 82 students with an average award of \$3,040. Since the program began, 1,261 recipients have received loans. Of those recipients, 532 (42%) loans have been forgiven, 175 (14%) are currently in forgiveness, 228 (18%) withdrew from the program and refunded the loan, 108 (9%) have either paid in full or are in repayment, and 84 (7%) have defaulted. There are 131 loan recipients currently enrolled. For 2008-09, \$275,000 GPR is appropriated for this program.

4. Loans for Teachers and Mobility Instructors of Visually Impaired Pupils (HEAB). This program provides loans of up to \$10,000 per year to defray the cost of tuition, fees, and expenses for students enrolled in a degree-granting program that prepares them to be licensed as teachers of visually impaired pupils or as orientation and mobility instructors. A student may receive a maximum of \$40,000 in loans under the program. Loan recipients must be Wisconsin residents who are enrolled at least half-time at an accredited institution of higher education in Wisconsin, Minnesota, Iowa, Illinois, or Michigan. HEAB is required, to the extent possible, to give preference to persons who are likely to return to Wisconsin to work with visually impaired persons.

Once a recipient completes the degree program, their loans are forgiven if they are licensed and employed as a teacher of visually impaired pupils or as an orientation and mobility instructor by a Wisconsin school district, the Wisconsin Center for

the Blind and Visually Impaired, or a cooperative educational service agency. For loan recipients who are employed full-time, HEAB is required to forgive 25% of the principal and interest on the loan for each of the first and second years of employment and 50% of the principal and interest amount for the third year. For persons who are employed less than full-time, HEAB may forgive loans on a prorated basis. For 2008-09, \$100,000 GPR is appropriated for the program.

For 2007-08, a total of \$100,000 was expended for 11 students, averaging \$9,091 per student. Of these students, four were enrolled at out-of-state institutions and seven were enrolled at in-state institutions.

5. Health Professional Loan Assistance Program (Department of Commerce). The Department of Commerce administers the Physician and Dentist Loan Assistance Program (PDLAP) and the Health Care Provider Loan Assistance Program (HCPLAP) which provide loan repayments for physicians, dentists, and certain other health care professionals who practice in designated health professional shortage areas. PDLAP repays loans for physicians and dentists, while HCPLAP repays loans for nurse practitioners, physician assistants, registered dental hygienists, and certified nurse midwives.

To participate in either program, the health care professional must enter into a written agreement with Commerce to practice at least 32 clinic hours per week, 45 weeks per year for three years in one or more eligible practice areas in the state. The health care professional must agree to treat patients who are insured, or for whom health benefits are payable under Medicare, medical assistance (MA), or other government programs. The health care professional may also be eligible for loan repayments from federal matching funding if certain requirements are met.

Through the PDLAP program, Commerce may repay, on behalf of the physician or dentist, up to \$50,000 over a three-year period in educational

loans obtained by the physician or dentist from a public or private lending institution for education in an accredited school of medicine, dentistry, or for postgraduate medical or dental training. The amount of loan repayment cannot exceed 75% of the loan balance. The loans are repaid according to the following schedule: (1) 40% of the principal up to \$20,000 in the first year; (2) 40% of the principal up to \$20,000 in the second year; and (3) 20% of the principal up to \$10,000 in the third year.

Under HCPLAP, Commerce repays, on behalf of health care providers, up to \$25,000 over a three-year period in loans obtained from a public or private lending institution for education related to the health care provider's field of practice. The amount of loan repayment cannot exceed 75% of the loan balance. The loans are repaid according to the following schedule: (1) 40% of the principal up to \$10,000 in the first year; (2) 40% of the principal up to \$10,000 in the second year; and (3) 20% of the principal up to \$5,000 in the third year.

Base level funding for the PDLAP and HCPLAP programs is \$488,700 PR annually in tribal gaming compact revenues. In addition, \$300,000 in annual federal funding is provided. In 2008, loan assistance was provided to six doctors, seven dentists, one nurse practitioner, and three physician assistants. Through June, 2008, a total of 231 health care professionals had participated in the programs.

Repayable Loan Programs

1. Perkins Loan (Federal). This is a campus-based program that provides loans at 5% interest to undergraduate and graduate students with financial need to pay for educational costs. Each participating educational institution is required to match federal funds with an amount equal to one-third of the federal contribution. Repaid loans become part of a revolving account from which new loans are made. With the exception of students enrolled in certain required teacher certification coursework, students do not have to be enrolled at least half-

time to be eligible for Perkins loans. Awards are based on financial need, the availability of funds and the amount of other aid a student receives.

The maximum amount that may be borrowed under the Perkins Loan program is \$5,500 annually for undergraduates, with a maximum total of \$27,500 for undergraduate study, and \$8,000 per year for graduate students, with a maximum total of \$60,000 including any amounts borrowed as an undergraduate. Interest does not accrue while the student is in school and repayment does not begin until nine months after the student has completed his or her studies. Depending upon the size of the loan, students have up to ten years to repay. In 2006-07, a total of \$34.9 million was provided to 15,608 resident students, with loans averaging \$2,239.

Federal law provides that individuals whose employment meets certain requirements may have up to 100% of their Perkins loans forgiven. These individuals include: (a) teachers working in high-poverty schools, special education teachers, and teachers working in shortage areas; (b) librarians with master's degrees working in high-poverty schools or public libraries located in high-poverty areas; (c) staff members of Head Start preschool programs or comparable prekindergarten or child care programs; (d) providers of early intervention services employed by a public or nonprofit program; (e) certain employees of qualifying child or family service agencies; (f) speech pathologists with master's degrees employed at high-poverty schools; (g) faculty members of tribal colleges and universities; (h) nurses or medical technicians providing health care services; (i) law enforcement and corrections officers and fire fighters; and (j) Armed Forces members engaged in service in an area of hostilities that qualifies for special pay. In general, loans are forgiven at a rate of 15% for each of the first two years, 20% for each of the third and fourth years, and 30% in the fifth year. In addition, Peace Corps and VISTA volunteers may have up to 70% of their loans forgiven at a rate of 15% for each of the first two years and 20% for each of the third

and fourth years.

2. Stafford Student Loan (Federal). The Stafford Student Loan program is a federal loan program that provides low-interest loans to undergraduate and graduate students who are enrolled at least half-time. Stafford loans are made by a private lender such as a bank, credit union, or savings and loan association, insured by a guarantee agency, such as the Great Lakes Higher Education Corporation (GLHEC) in Wisconsin, and reinsured by the federal government. Borrowers may be charged federal origination and default fees of up to 2% of the amount of the loan. Students with demonstrated financial need may qualify for subsidized loans. Interest on these subsidized loans is paid by the federal government while the student is enrolled or in deferment. In 2006-07, 90,106 Wisconsin undergraduates received Stafford Loans averaging \$3,075, for a total value of \$277.1 million.

Under the subsidized loan program, undergraduate students may borrow up to \$3,500 in the first year, \$4,500 the second year, and \$5,500 in subsequent years, up to a maximum of \$23,000. Graduate and professional students may borrow up to \$8,500 each year, up to a maximum of \$65,000.

Under the unsubsidized loan program, dependent undergraduate students may borrow up to \$2,000 in each year. Independent undergraduate students may borrow up to \$6,000 in each of the first two years and up to \$7,000 in subsequent years. These loans may be made in addition to any unsubsidized loans that the student qualifies for such that dependent undergraduate students may borrow up to \$5,500 in the first year, \$6,500 in the second year, and \$7,500 in subsequent years. Likewise, an independent undergraduate student may borrow up to \$9,500 in the first year, \$10,500 in the second year, and \$12,500 in subsequent years. In total, a dependent undergraduate student may borrow up to \$31,000 in subsidized and unsubsidized loans while an independent student

may borrow up to \$57,500.

Graduate and professional students may borrow up to \$12,000 per year under the unsubsidized loan program and up to \$20,500 under both programs. In total, a graduate or professional student may borrow up to \$138,500 in subsidized and unsubsidized loans including any amount borrowed by the student while an undergraduate. An exception may be made for graduate and professional students enrolled in certain approved health professions programs who may borrow up to \$224,000.

Unsubsidized loans and subsidized loans made to graduate and professional students disbursed between July 1, 2006, and June 30, 2013, are subject to a fixed interest rate of 6.8%. Subsidized loans made to undergraduates are also subject to a fixed rate, however, this rate will be reduced annually from July 1, 2006, to July 1, 2010. While rates for new loans will decrease, loans disbursed during a given period are subject to the same interest rate until they are fully repaid, forgiven, or canceled. The interest rate for subsidized loans to undergraduates is 6.8% for loans disbursed from July 1, 2006, to June 30, 2008, 6.0% for loans disbursed from July 1, 2008, to June 30, 2009, 5.6% for loans disbursed from July 1, 2009, to June 30, 2010, and 4.5% for loans disbursed from July 1, 2010, to June 30, 2010.

Subsidized and unsubsidized Stafford loans disbursed prior to July 1, 2006, are subject to a two-tier variable interest rate structure capped at 8.25%. Interest rates for these loans are linked the average, three-month Treasury bill rate. For the period July 1, 2008, through June 30, 2009, the interest rate for loans in repayment that were disbursed prior to July 1, 2006, is 4.21%.

In most cases, borrowers must begin repayment of Stafford loans six months after graduating, leaving school, or enrolling less than half-time. Borrowers may choose to repay their loans under a fixed repayment plan, a graduated repayment plan, or an income-sensitive repayment plan. Loan

repayments may be deferred up to three years in the event of economic hardship. In addition, loan repayments may be deferred for armed services members on active duty and National Guard members on qualifying duty under some circumstances. Stafford loans may be canceled in the event of the death of the borrower, permanent disability, certain mental or physical impairment that can be expected to result in death, or if the borrower is determined to be unemployable by the Secretary of Veterans Affairs due to a service-connected disability. In addition, teachers who have worked for five years in a low-income school may have up to \$5,000 of their loans forgiven while teachers working in shortage areas, such as mathematics, science, and special education, may have up to \$17,500 of their loans forgiven after five years.

3. Parent Loans for Undergraduates (Federal). This non-need based loan program is made by private lenders to parents of dependent students who are enrolled at least half-time. Like the Stafford Loan program, PLUS loans can only help finance educational costs and are provided by private lenders who are insured by GLHEC and reinsured by the federal government. The amount borrowed cannot exceed the difference between the student expense budget and all other financial aid. Beginning on July 1, 2006, all new PLUS loans are subject to a fixed rate of 8.5% for loans made through the Federal Family Education Loan (FFEL) program and 7.9% from loans made through the direct loan program. Loans effective prior to that date are subject to a variable interest rate based on the three-month Treasury bill and is adjusted annually with a cap of 9%. For 2008-09, the interest rate is 5.01%. The loans also carry of up to 4% in origination and loan guarantee fees. Unlike subsidized Stafford loans, the federal government does not pay the interest while the student is in school. Borrowers may defer payments of the principal, and accrue interest, while the student is enrolled at least half-time and for up to six months after the student ceases to be enrolled at least half-time. Payments may also be deferred due to circum-

stances of economic hardship. The loan may be cancelled if the borrower dies or becomes permanently disabled or if the student for whom the parent borrowed dies.

4. Federal Direct Student Loan (Federal). This program consists of Federal Direct Stafford Loans (subsidized and unsubsidized) and Federal Direct PLUS loans. The difference between these loans and their counterparts previously described is that the U.S. Department of Education is the lender, rather than a bank or credit union, and delivers loan proceeds through the school. Direct Loans were first made for periods of enrollment beginning on or after July 1, 1994. In 2008-09, three UW institutions (Eau Claire, Superior, and White-water), and four private colleges (Concordia University, Lawrence University, Marquette University, and Saint Norbert College) offer direct student loans.

5. Consolidation Loan (Federal). This program allows the borrower to replace Stafford, Perkins, and Federal Direct Student Loans with one loan having a lower payment than the total payments on the original loans. Parents may also be able to consolidate PLUS loans. Four payment options (fixed, graduated, extended, and income-contingent) are available. Interest rates on consolidation loans are fixed and equal to the weighted average of the interest rates on the original loans, rounded up to the nearest 1/8%. By law, the interest rate on consolidated loans cannot exceed 8.25%.

6. Personal Loan Program (Veterans Affairs). Under the personal loan program, eligible veterans may receive a low-interest loan of up to \$25,000 for up to 10 years for a variety of purposes, including the education of a veteran, spouse, or child. The Department has established variable interest rates, depending on the securitization of the loan. As of August 31, 2008, interest rates ranged from 5.85% for five-year loans secured by a mortgage to 10% for five-year loans secured by a guarantor. There were 23 personal loans issued for educational purposes in 2007-08, averaging \$3,435 per

loan.

Scholarship Programs and Institutional Aid

Scholarship money may come from a variety of governmental and private sources. For example, the Byrd Scholarship is a federally-funded award given to selected high school graduates for their first year of college studies. In addition, students may receive a National Merit Scholarship or scholarships funded by local civic or religious groups. The academic excellence scholarship is currently the only state-supported financial aid grant program that is not need-based.

1. Academic Excellence Higher Education Scholarships (HEAB). This program provides scholarships 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 for which each high school is eligible is based on total student enrollment. One scholarship is awarded to each high school with an enrollment of between 80 and 499 students. If a high school has an enrollment of 500 students or more, scholarships are awarded as follows: 500-999 students, two scholarships; 1,000-1,499, three scholarships; 1,500-1,999, four scholarships; 2,000-2,499, five scholarships; and over 2,500, six scholarships.

For those high schools with total enrollments of less than 80 students, no more than 10 scholarships, in aggregate, may be awarded. Under HEAB administrative rule, the 10 students with the highest GPAs are awarded scholarships. In the event of a tie, eligible students are ranked according to ACT or SAT scores. If a tie still remains, students are chosen based on the quality and content of letters submitted by the students indicating the reasons they feel qualified to receive the scholarship.

For those high schools with enrollments greater than 80 students, the faculty of each public or private high school is required to name the 12th grade student who has the highest GPA, as it is normally

determined by that high school, as eligible to receive a scholarship. Except under certain circumstances, if two or more students in the same high school have the same GPA, the faculty is required to select the student to receive the scholarship and designate the other student as an alternate. HEAB administrative rules require each high school to have a written policy that describes tie-breaking procedures and criteria used to determine and rank scholars. If the student who is initially selected does not use the scholarship by September 30 following high school graduation, the scholarship is awarded to the alternate. In most cases, the alternate scholar must have the same GPA as the originally designated scholar or scholars. However, this requirement does not apply to a high school that applies different weights to courses to determine each student's GPA. For these schools, if there is no other senior student with the same GPA as the originally designated scholar, the senior with the next highest grade point average is named the alternate scholar. In 2007-08, 161 alternates received scholarships.

In order to receive a scholarship, a student must be enrolled full-time at a participating UW, Wisconsin Technical College, or private, nonprofit postsecondary institution in the state by September 30 of the academic year following the year in which the student graduated from high school. Scholars receive a maximum of \$2,250 per year of which half is funded by the state through a GPR sum sufficient appropriation and half is funded by the institution. Tuition and fees in excess of \$2,250 are paid by the student. UW System institutions may use tuition remissions as part of the institutional match.

For each year the student is enrolled full-time, he or she must maintain at least a 3.0 cumulative grade point average and make satisfactory progress toward a vocational diploma or an associate or a bachelor degree. A student may lose, and then regain program eligibility as their cumulative grade point fluctuates. No student is eligible for a scholarship for more than four years at a UW or

private, nonprofit postsecondary institution or for more than three years at a Wisconsin technical college.

In 2007-08, a total of 2,923 academic scholars were enrolled in eligible schools: 785 freshmen, 728 sophomores, 703 juniors, and 707 seniors. The enrolled students represent approximately 88% of the 3,412 available scholarships with the remaining 12%, or 489 scholarships, going unused. The total value of these scholarships was \$6,339,048 of \$3,169,524 was funded through HEAB. The UW System provided \$1.6 million in tuition remissions and approximately \$846,600 in funds to fulfill its institutional match requirement. The remaining \$573,000 was provided by the independent and technical colleges in which academic scholars were enrolled.

In 2008-09, of the 888 freshman scholarships available, 693 (78%) of the eligible recipients have indicated that they will enroll in Wisconsin institutions. Approximately 184 alternate scholarships were awarded, due in part to eligible scholars enrolling in non-Wisconsin institutions. Table 9 details Academic Excellence Scholarship recipients by campus for the past four years.

2. UW Institutional Financial Aid. In 2007-08, UW students received \$54.3 million from institutionally funded grant, loan, and work programs. These programs are funded through gifts and donations, trust funds, and the UW Alumni Research Foundation. The largest campus-based programs were at Madison (\$34.2 million), Milwaukee (\$7.8 million), and Green Bay (\$2.2 million).

3. Technical College Institutional Financial Aid. Technical colleges offer institutional assistance to students through grants from technical college foundations and student employment. For 2006-07, technical colleges provided approximately \$1.0 million in institutional assistance to students. These funds were distributed as scholarships (\$607,900), non-need-based employment (\$349,100), matching funds for academic excellence

Table 9: Enrollment Data for Academic Scholars Attending Wisconsin Postsecondary Institutions

	2004-05	2005-06	2006-07	2007-08
UW System				
Madison	1,568	1,537	1,496	1,537
Milwaukee	101	99	96	85
Eau Claire	132	148	140	146
Green Bay	57	51	53	47
La Crosse	154	161	191	183
Oshkosh	83	84	95	82
Parkside	23	21	17	12
Platteville	75	69	56	54
River Falls	52	55	53	42
Stevens Point	92	85	81	89
Stout	20	21	24	25
Superior	14	16	16	17
Whitewater	57	56	59	62
Colleges	<u>22</u>	<u>19</u>	<u>18</u>	<u>15</u>
Subtotal	2,450	2,422	2,395	2,396
WI Technical				
Milwaukee Area	7	6	17	13
All Others	<u>25</u>	<u>20</u>	<u>20</u>	<u>11</u>
Subtotal	32	26	37	24
Independent Colleges				
Alverno	4	5	6	8
Bellin	3	2	3	6
Beloit	9	11	11	12
Cardinal Stritch	4	6	4	5
Carroll	21	26	26	22
Carthage	14	13	21	25
Concordia	16	16	19	15
Edgewood	5	12	12	11
Lakeland	2	4	4	3
Lawrence	41	41	41	37
Maranatha	6	9	9	12
Marian	2	1	4	5
Marquette	155	158	177	181
Milw. Art & Design	2	2	3	3
Milw. Sch. of Engineering	35	29	27	32
Mount Mary	4	10	8	9
Northland	6	6	8	4
Ripon	25	29	26	24
St. Norbert	60	48	48	50
Viterbo	13	20	18	24
Wisc. Lutheran	<u>20</u>	<u>14</u>	<u>18</u>	<u>15</u>
Subtotal	447	462	493	503
Total	2,897	2,910	2,925	2,923

scholars (\$35,400), and need-based grants (\$6,400).

4. Aid Provided by Independent Colleges and Universities for Resident Undergraduates.

For 2006-07, individual private colleges and universities in Wisconsin provided a total of \$130.9 million in institutional aid to resident undergraduate students. Need-based grants (\$63.6 million) and non-need-based scholarships (\$63.2 million) accounted for over 95% of the aid funded by these institutions. Approximately one-third of all need-based aid provided to resident undergraduates attending independent colleges was funded by the institutional.

Special Programs

1. Minnesota-Wisconsin Reciprocity Program. This agreement allows Minnesota and Wisconsin residents to attend public postsecondary institutions in the adjacent state without having to pay nonresident tuition. Students participating under the agreement pay a reciprocal fee that cannot exceed the higher of the two states' resident tuition rates. The agreement is negotiated and administered jointly by HEAB and the Minnesota Office of Higher Education (MOHE). While the agreement is not included in the Minnesota statutes, Wisconsin law specifies that the agreement is subject to the approval of the Joint Committee on Finance. In addition, HEAB and MOHE are required to jointly prepare an annual administrative memorandum that establishes the policies and procedures for implementation of the agreement, including a description of how the reciprocal fees will be calculated for the upcoming academic year. The administrative memorandum is subject to the approval of the Joint Committee on Finance under a 14-day passive review process. While the current agreement does not contain a specific expiration date, it may be modified at any time upon mutual agreement of both states. Additional details on this agreement are contained in the Legislative Fiscal Bureau's informational paper entitled, "Education and Income Tax Reciprocity Agreements."

2. UW System Nonresident Tuition Remissions. Current law permits the Board of Regents to remit the nonresident portion of tuition for a number of students including: (1) needy and worthy students on the basis of merit; (2) students who are deserving of relief due to extraordinary circumstances; and (3) needy and worthy foreign students and U.S. citizens not currently residing in the U.S.. The value of these remissions is limited to the value of such remissions in 1970-71 adjusted for tuition increases since 1976-77. In 2007-08, 2,648 students received remissions under these provisions valued at \$14.8 million

3. Tuition Award Program. Under the tuition award program (TAP), the Board of Regents may exempt from nonresident tuition up to 200 juniors and seniors at UW-Parkside and up to 150 students at UW-Superior who are enrolled in programs identified by the campuses as having excess capacity. In 2007-08, 200 students enrolled at Parkside received remissions totaling \$1,261,089 and 141 students enrolled at Superior received remissions totaling \$779,934 at Superior under the TAP program.

4. Athletic Scholarships. The Regents may remit both resident and nonresident tuition as athletic scholarships. Currently, four UW campuses (Madison, Milwaukee, Green Bay and Parkside) are in NCAA divisions that allow the granting of athletic scholarships. In 2007-08, the number of scholarships awarded by each of the campuses was as follows: 523 at Madison; 414 at Milwaukee; 277 at Green Bay; and 227 at Parkside. For 2007-08, the value of these remissions was \$7.2 million. For all sports except football and basketball, the NCAA allows campuses to divide a scholarship among several athletes. Therefore, the actual number of students receiving athletic scholarships in a given year is higher than the number of authorized scholarships.

5. UW System Tuition Remissions for Graduate Assistants. UW-Madison and UW-Milwaukee provide full remission of resident and

nonresident tuition for teaching assistants, program/project assistants, and research assistants, as part of the collective bargaining agreements for these groups. Remissions for graduate assistants on the comprehensive campuses are handled on a campus-by-campus basis. In 2007-08, most of these campuses provided remissions of nonresident tuition to some graduate students but few remitted any portion of resident tuition and fees.

In 2007-08, a total of 10,432 graduate assistants and fellows received approximately \$96.4 million in remissions. Of these, 2,595 students were residents who received remissions totaling \$12.0 million. Of graduate students who received remissions under this provision, 86% were employed at UW-Madison while approximately 11% attended UW-Milwaukee.

6. Tuition Remissions for Veterans. Under 2005 Acts 25 and 468, UW and WTCS institutions are required to remit tuition and fees, less any amount paid under federal programs providing for the education of officers and disabled veterans, to students who are qualified veterans. Qualified veterans are eligible for remissions for up to 128 credits or 8 semesters, whichever is longer. To qualify as a veteran for this remission, a student must: (1) be verified by the Department of Veterans Affairs as a resident of this state for the purpose of receiving benefits; and (2) have been a resident of this state at the time of entry into the armed services. In addition, a student's military service must meet one or more of the following criterion: (1) service of at least one term under honorable conditions during a war period or in a crisis zone; (2) service on active duty under honorable conditions for the full period of the initial service obligation; (3) service qualifying for certain service-related medals; (4) service ending in honorable discharge for a service-related disability or for reasons of hardship; or (5) service ending in release under honorable conditions due to a reduction in the armed forces. For students who qualify for this remission but do not qualify for resident tuition as determined by the UW System and WTCS, the

nonresident portion of tuition is also remitted. In 2007-08, the UW System provided tuition and fee remissions totaling \$13.1 million to 2,782 veteran students. Of this amount, \$1.9 million was remitted to veterans enrolled as graduate and professional students. The technical colleges also provided remissions totaling \$4.0 million to 2,455 veteran students under this provision.

7. Tuition Remissions for Children and Spouses of Eligible Veterans. Under 2005 Act 25 and 2007 Act 20, UW and WTCS institutions are required to grant a full remission of fees, including tuition and academic fees, for 128 credits or 8 semesters, whichever is longer, to the spouse, unremarried surviving spouse, and children of eligible veterans. An eligible veteran is one who: (1) was a resident at the time of entry into the armed services; (2) served under honorable conditions; (3) either died on active duty, died on inactive duty for training purposes, died as the result of a service-related disability, or has been awarded at least a 30% service-related disability rating; and (4) was a resident of this state at the time of death or service-related disability. The spouse, in the case of disability, or the unremarried surviving spouse, in the case of death, of an eligible veteran is eligible for this remission during the first ten years after the receipt of the disability rating or the death of the eligible veteran or until 10 years after the youngest child the spouse had with the veteran reaches or would have reached 18 years of age. Children of eligible veterans may receive this remission as long as they are at least 17 years of age and not yet 26 years of age, regardless of when the eligible veteran died or received his or her disability rating. In 2007-08, the UW System provided tuition and fees remissions totaling \$4.4 million to 793 students under this provision. In addition, the technical colleges remitted \$1.0 million in tuition and fees to 573 students.

8. Tuition Remissions for Children and Spouses of Certain Protective Services Officers. Current law requires UW and WTCS institutions to grant full remission of fees, including tuition and

student segregated fees, to any resident student who is enrolled in a college parallel program or a program leading to a bachelor's degree, associate degree, or vocational diploma and who is the child or surviving spouse of a correctional officer, fire fighter, law enforcement officer, ambulance driver, or emergency medical services technician who was killed in the line of duty in this state or died as the result of a qualifying disability. In order to be eligible to receive the remission, a child must have been under the age of 21 or not yet born when his or her parent was killed. In 2007-08, the UW System remitted \$23,253 to two students under this provision; the technical colleges remitted \$14,300 to 6 students. In each year of the 2007-09 biennium, \$30,000 GPR is provided to the UW Board of Regents and \$14,300 GPR is provided to the WTCS Board to cover the cost of remissions.

9. Tuition Remissions for Funeral Assistants. Under 2005 Act 22, a funeral director may issue a tuition voucher in the amount of \$25 to a student who sounds "Taps" during a funeral for which military honors are held. To be eligible for this voucher, the student must be enrolled in grades 6 through 12 or at a post-secondary institution. These tuition vouchers may be used for the payment of tuition at any UW institution. In 2007-08, 15 students used vouchers totaling \$2,875.

10. College Work-Study (Federal). This is a campus-based program that provides part-time jobs for undergraduate and graduate students. Students may be employed by the institution, public or non-profit employers, and must be paid the federal minimum wage. In most cases, the employer must provide at least 25% of the student's salary with the remainder being paid by the federal work-study program. Individual institutions may require that employers pay a greater share of the student's salary; by reducing the percentage of the salary paid by the federal work-study program, the institution is able to increase its number of work-study participants. The award amount is based on financial need, availability of funds, and the amount of aid the student receives from other pro-

grams. Earnings from work-study jobs are not included in the student's income when reapplying for financial aid in subsequent years. In 2006-07, a total of \$19.5 million was provided to 13,427 students, averaging \$1,454.

11. Wisconsin's Section 529 College Savings Program. Prior to January, 2003, the EdVest Wisconsin Program consisted of two separate programs: (a) the college tuition and expenses program (also known as the tuition unit purchase program) that was created by 1995 Act 403 and was first available beginning July 1, 1997; and (b) the college savings program, which is an educational savings plan offering a range of investment options. These programs are collectively known as Wisconsin's Section 529 College Savings Program and are managed by the State Treasurer's Office.

College Tuition and Expenses Program. As permitted under the law, the State Treasurer elected, effective December 20, 2002, to terminate any future enrollments in the EdVest Program's original tuition unit option and to curtail the sale of any new tuition units to current account holders. Current tuition unit account holders may continue to hold their tuition unit investments until maturity or may convert their account to any of the investment options now offered under the college savings program described below. As of June 30, 2008, there were a total of 966 accounts under this program with total assets of \$9,626,700.

College Savings Program. This program was initially established by 1999 Act 44 and subsequently further modified by 2001 Act 7. Popularly known as "EdVest," it is a qualified state tuition program under section 529 of the U.S. Internal Revenue Code and is designed as a savings vehicle for higher education expenses. It is administered by the Office of the State Treasurer under the authority of the College Savings Program Board.

The Board is composed of 11 members (the State Treasurer, the President of the University of Wisconsin Board of Regents, the President of the Wis-

consin Association of Independent Colleges and Universities, the President of the Wisconsin Technical College System, the Chair of the State Investment Board and six public members appointed by the Governor to four year terms). Day-to-day management of the program is contracted to Wells Fargo Funds Management, LLC, which is responsible for the program's investment management, marketing activities, account administration, and record-keeping. In addition, a somewhat different version of the program, called Tomorrow's Scholar college savings plan, is also offered by Wells Fargo.

Under either of the programs, any person aged 18 or over may open an account and the beneficiary of an account may be anyone, including the account owner. There may be only one beneficiary per account, but a person may open any number of accounts. There is no state residency requirement or income limitation. A minimum initial investment of \$250 is required unless an automatic investment plan is selected. There is no limit on the maximum annual contribution except that the maximum amount that may be contributed to an account is \$330,000. The beneficiary of an account may use the proceeds of the account at any eligible post-secondary school in this country or elsewhere. The money may be used for a wide-range of educational expenses such as tuition and other fees, room and board, and educational supplies.

The investment options under the two programs vary somewhat. There are currently 12 different portfolio options under the EdVest college savings program: Vanguard Stock Index Portfolio; Vanguard Balanced Portfolio; Legg Mason Aggressive Portfolio; Wells Fargo Aggressive Portfolio; Wells Fargo Moderate Portfolio; Wells Fargo Balanced Portfolio; Wells Fargo Bond Portfolio; Baird Bond Portfolio; Wells Fargo Money Market Portfolio; Wells Fargo Conservative Portfolio; and two certificate of deposit portfolios - one offered through banks and the other offered through credit unions. There are also three age-based options where the contributions in the account are periodically shifted to more conservative fund portfolios based on the

number of years remaining before the account beneficiary will be enrolled in a higher educational institution. Investors can choose among an aggressive, moderate, or conservative growth track. These portfolio offerings are all currently invested in various Wells Fargo Funds.

Under the Tomorrow's Scholar college savings plan, there are currently 10 investment options. There are seven different portfolio options: aggressive, growth, moderate growth, balanced, conservative, income, and ultra-conservative. There are also three different age-based options (which blend various equity percentage portfolios, based on the number of years to college for the beneficiary), which are aggressive, moderate, or conservative growth. In this program, each portfolio is aimed at meeting its objectives by investing primarily in a variety of mutual funds offered by Wells Fargo, RiverSource, ING, Columbia, and Harbor.

Under either of the two programs, only one investment option per account may be selected. However, a different investment option for an account may be selected once during any 12-month period.

Under current law, Wisconsin residents who make a contribution to an EdVest college savings program account (including the Tomorrow's Scholar program) that they have established for their dependent child or for their grandchild, great grandchild, niece or nephew, may claim a Wisconsin state income tax deduction of up to \$3,000 annually per beneficiary for such contributions. Investment earnings and distributions from an account established through a qualified tuition program, including such programs sponsored by EdVest, by other states, and, effective with tax year 2004, by private institutions, are exempt from both federal and Wisconsin income taxes if the withdrawals are used for qualified higher education expenses.

Under the EdVest college savings program, there is a \$20 per year account maintenance fee, which is waived for Wisconsin residents, if an automatic

Table 10: College Savings Program Summary of EdVest Portfolio Expenses Assessed as % of Account Assets

	<u>Administrative Fee</u>		<u>Underlying Fund Expense</u>	<u>Audit Fees</u>	<u>Expense Total</u>
	<u>State*</u>	<u>Account Manager</u>			
Baird Bond	0.00%	0.30%	0.30%	0.007%	0.607%
CD - Bank	0.00	0.30	0.00	0.007	0.307
CD - Credit Union	0.00	0.30	0.00	0.007	0.307
Legg Mason Aggressive	0.00	0.30	0.73	0.007	1.037
Vanguard Balanced	0.00	0.30	0.16	0.007	0.467
Vanguard Stock Index	0.00	0.30	0.05	0.007	0.357
Wells Fargo Aggressive	0.00	0.20	0.86	0.007	1.067
Wells Fargo Balanced	0.00	0.30	0.67	0.007	0.977
Wells Fargo Bond	0.00	0.20	0.46	0.007	0.667
Wells Fargo Conservative	0.00	0.20	0.58	0.007	0.787
Wells Fargo Moderate	0.00	0.20	0.76	0.007	0.967
Wells Fargo Money Market	0.00	0.20	0.20	0.007	0.407

*The College Savings Program Board has voluntarily waived the entire Board Fee of 0.10%. The State Administration Fees shown include these waivers. Voluntary waivers may be modified or terminated at any time.

deduction plan has been elected, or if the account balance is above \$25,000. In addition, there is an annual assessment fee levied, based on percentage amounts that vary based on the fund or funds selected and levied against the total assets in the account invested in the respective investment option. Table 10 shows the composition and total amount of the assessment fee for each of the available portfolios under this program.

Under the Tomorrow's Scholar program, there is a \$20 per year account maintenance fee, which is waived if an automatic deduction plan has been elected or the account balance is above \$25,000.

Table 11 shows the composition and total amount of the assessment fee for each of the available portfolios through the Tomorrow's Scholar program as of July 25, 2008. The table does not reflect the additional sales charges and fees required to be paid to the financial advisor.

Individuals that invest in EdVest have the option of using a financial advisor to make investments purchases, other than certificates of deposit purchases. Tomorrow's Scholar participants must invest through financial advisors. These advisors charge fees equal to a percentage of the total portfolio

value, which varies depending on the portfolio investment type.

As of June 30, 2008, there were a total of 151,702 accounts open in the EdVest program with total assets of \$1,251 million and a total of 89,859 accounts open in the Tomorrow's Scholar program with total assets of \$904 million.

12. Wisconsin Educational Opportunity Programs (Public Instruction). The Department of Public Instruction administers five statewide programs and one federal program whose primary goal is to assist minority and economically disad-

Table 11: Tomorrow's Scholar Program Summary of Portfolio Expenses Assessed as % of Account Assets

<u>Fixed Portfolio</u>	<u>Administrative Fee</u>		<u>Underlying Fund Expense</u>	<u>Audit Fees</u>	<u>Portfolio Expense Total</u>
	<u>State</u>	<u>Account Manager</u>			
Aggressive	0.10%	0.20%	0.89%	0.006%	1.196%
Growth	0.10	0.20	0.82	0.006	1.126
Moderate Growth	0.10	0.20	0.76	0.006	1.066
Balanced	0.10	0.20	0.71	0.006	1.016
Conservative	0.10	0.20	0.63	0.006	0.936
Income	0.10	0.20	0.57	0.006	0.876
Ultra-Conservative	0.05	0.20	0.20	0.006	0.456

Note: The portfolio expenses listed above do not include sales charges and fees required to be paid to financial advisors who sell the fund shares.

vantaged middle school and high school students in pursuing postsecondary educational opportunities. Currently, students in all school districts are counseled through seven district offices located in Ashland, Eau Claire, Green Bay, Madison, Milwaukee, Racine, and Wausau. A total of 35.0 full-time equivalent positions, including 13.0 GPR positions, are currently authorized for Wisconsin Educational Opportunity Programs. In 2007-08, \$1,295,300 GPR was expended to operate the district offices. One of the five programs, the talent incentive program, was discussed earlier in this paper. The other four programs are:

Talent Search Program. Counselors assist high school students and adults in defining educational goals, applying and enrolling in postsecondary institutions and obtaining financial aid. WEOP staff members also work with institutions, schools, community organizations, and churches by giving presentations and acting as a resource for materials and information. In 2007-08, a total of \$256,600 supported WEOP activities, including 3,251 individual counseling sessions with students, provided under the program.

Early Identification Program. WEOP annually identifies and recruits economically disadvantaged eighth-grade students to participate in this program which provides early intervention services to students in order to reduce attrition at the secondary and postsecondary levels. Program staff work with eighth- through twelfth-grade students, their parents, and schools to address the problem of low matriculation through long-term counseling and career goal assessment. Students remain in the program throughout high school and into college. Of the 369 students in the program in 2007-08, 60 were seniors. Of these seniors, 45 enrolled at postsecondary institutions. Each year, many of these students are selected to receive TIP grants.

Precollege Scholarship Program. This program provides grants to economically disadvantaged middle school and high school students to cover full student costs of precollege programs, including

courses, books, supplies, and room and board, if necessary. Precollege programs which emphasize academic skills development, career guidance, curriculum enrichment, and financial aid information are offered to eligible students through UW campuses, Technical Colleges, and private colleges. The student must first be admitted to a precollege program to qualify for a scholarship. In 2007-08, approximately 3,100 middle and high school students received a total of \$2,152,300 to fund their participation in precollege programs statewide. All 426 school districts are eligible to participate in the program.

Gear Up Program. Since 1995-96, WEOP has administered this federal program. In 2007-08, 425 low-income students received a total of \$359,800 in college and precollege scholarships under the program. An additional \$1,712,400 was expended to support activities, such as college visitations and parental involvement programs, serving 2,942 pupils in 11 school districts.

Tax Incentives

1. Higher Education Tax Deduction (State). Since tax year 1998, state law has allowed a deduction from income for tuition expenses. The deduction applies to tuition paid on behalf of the taxpayer or the taxpayer's dependent. Allowable tuition expenses include tuition paid to attend any university, college, or technical college; a school approved by the Education Approval Board that is located in Wisconsin; or an institution under the Minnesota-Wisconsin tuition reciprocity agreement.

For tax years prior to 2005, the maximum tuition deduction was \$3,000 per eligible student. Under 2005 Act 25, effective for taxable years beginning on or after January 1, 2005, the maximum deduction was increased to twice the average amount of resident undergraduate tuition charged by UW System four-year institutions for the most recent fall semester. The maximum deduction was \$4,844 for tax year 2007 and \$5,138

for tax year 2008.

Under 2007 Act 20, the maximum deduction per eligible student per year will increase to the greater of the amount calculated by the UW System four-year institutions or \$6,000 in tax year 2009. Act 20 also extended the deduction to mandatory student fees. In addition, Act 20 provided that a student could not claim a tuition deduction for tuition and fees amounts paid using a distribution from a Wisconsin 529 account.

The deduction is phased out by federal adjusted gross income (AGI) and filing status. The phase-out ranges are as follows: (a) \$50,000 to \$60,000 for single and head-of-household filers; (b) \$80,000 to \$100,000 for married couples filing joint returns; and (c) \$40,000 to \$50,000 for married couples filing separate returns.

2. Higher Education Tax Deduction (Federal). Federal law provides a deduction for up to \$4,000 of qualified higher education expenses. The maximum deduction is phased out for filers with federal adjusted gross incomes between \$65,000 and \$80,000 (\$130,000 to \$160,000 for married couples filing joint returns). The federal deduction first applied for tax year 2002, when the maximum deduction was \$3,000. The deduction was increased to \$4,000 starting in 2004, and is set to expire at the end of tax year 2009.

3. HOPE Scholarship Tax Credit (Federal). Hope credits are available to individuals who pay qualified tuition and related expenses of higher education for either themselves or a dependent. Degree-seeking students who are enrolled at least half-time and are in one of the first two years of college are eligible for a tax credit of up to 100% of the first \$1,200 and 50% of the second \$1,200 in tuition expenses. Eligible expenses include tuition and required fees less any grants, scholarships or other tax-free financial assistance. For tax year 2008, the credit is gradually phased out for taxpayers with taxable incomes between \$48,000 and \$58,000 for single filers and between \$96,000 and \$116,000 for

joint filers. The maximum credit amounts and income limits are indexed for inflation.

4. Lifetime Learning Tax Credit (Federal). Tax filers may claim a lifetime learning tax credit if they pay qualified tuition and related expenses of higher education for an eligible student, either themselves, a spouse, or a dependent, that is claimed as an exemption. Students beyond the first two years of college or those enrolled less than half-time are eligible for a 20% tax credit on the first \$10,000 in expenses. Eligible expenses include tuition and required fees less any grants, scholarships, or other tax-free financial assistance. In 2008, credit phased out for taxpayers with taxable incomes between \$48,000 and \$58,000 for single filers, and between \$96,000 and \$116,000 for joint filers.

5. Coverdell Education Savings Accounts (State and Federal). Married taxpayers filing joint tax returns and individual filers (including the beneficiary) may contribute up to \$2,000 per designated beneficiary per year to a Coverdell Education Savings Account (CESA, formerly called an Education IRA). There are no relationship requirements between the contributor and the beneficiary. While contributions are not deductible from income, interest earnings are tax exempt and withdrawals are excluded from the beneficiary's income if used for eligible education expenses. Under coordination rules with other tax deductions and credits for education, qualified expenses for purposes of a CESA are reduced to reflect other education tax benefits taken.

The ability of an individual to make a contribution to a CESA is gradually phased out for contributors with taxable income between \$95,000 and \$110,000 (between \$190,000 and \$220,000 for joint filers). Starting with tax year 2002, funds from a CESA may be used to pay for qualified elementary and secondary education expenses in addition to qualified higher education expenses.

6. IRA Withdrawals (Federal). Early (before

age 59½) withdrawals from a traditional IRA are not subject to the 10% tax penalty provided the distributions are used for postsecondary education expenses of the taxpayer, or the taxpayer's spouse, child, or grandchild.

7. Student Loan Interest Deduction (State and Federal). An individual may deduct up to \$2,500 annually for interest paid on student loans during the life of the loan. The deduction is phased out for single filers with taxable income between \$55,000 and \$70,000 and for joint filers with taxable income between \$115,000 and \$145,000.

8. Employer-Provided Education Benefits (State and Federal). Taxpayers may exclude from their taxable income up to \$5,250 in educational assistance benefits received from their employer. Eligible benefits include payments for tuition, fees, books, supplies, and equipment. Courses do not have to be related to the business of the employer.

Wisconsin Covenant

Beginning in the spring of 2007, Wisconsin resident students enrolled in the eighth grade have been invited to sign the Wisconsin covenant pledge. By signing the covenant pledge, the student is promising to: (1) graduate from a Wisconsin high school; (2) maintain at least a B average while in high school; (3) take classes that will prepare the student for postsecondary coursework; (4) demonstrate good citizenship and engage in activities that support the community; (5) apply for state and federal financial aid in a timely manner; and (6) apply and do all that is necessary to gain admission to a UW System institution, a Wisconsin technical college, or a private college or university located in the state. If the student successfully fulfills these promises, he or she can expect: (1) recognition as a Wisconsin covenant scholar; (2) a place in a UW System institution, a Wisconsin technical college, or a

private college or university located in Wisconsin; and (3) a financial aid package based on his or her family's federally-defined financial aid. In addition, those signing the pledge can expect support from the "Wisconsin covenant community" while in high school. As of December, 2008, 35,200 students had signed the Wisconsin covenant pledge including 17,000 expected members of the class of 2011 and 18,200 expected members of the class of 2012.

History

The Wisconsin covenant program was first introduced by Governor Doyle in January, 2006. The program was formalized in September, 2006, by a memorandum of understanding (MOU) that was signed by the Governor, the Superintendent of Public Instruction, and the presidents of the UW System, the Wisconsin Technical College System, and the Wisconsin Association for Independent Colleges and Universities (WAICU). According to that MOU, the goals of the Wisconsin Covenant are to: (1) promote access to higher education by ensuring that all students who successfully participate in the program are guaranteed a place in higher education in the state; (2) promote success in higher education by promoting high standards and encouraging students to take courses that prepare them for higher education; and (3) promote the affordability of higher education by ensuring that all students who successfully complete the program can afford tuition and fees.

The 2007-09 biennial budget bill, introduced by the Governor in February, 2007, and passed by the Legislature as 2007 Act 20 in October, 2007, provided 2.0 positions and \$180,200 GPR annually for the Office of the Wisconsin Covenant, to be located in the Department of Administration. Under Act 20, the Office is to serve as the state's liaison between the Higher Educational Aids Board (HEAB), the Department of Public Instruction (DPI), the University of Wisconsin System, the Wisconsin technical college system (WTCS), and other public and private organizations that are interested in the promotion of postsecondary

education in this state. In addition, the Office is to coordinate and prevent duplication of effort in the postsecondary promotional activities of these agencies and organizations as well as the Wisconsin Covenant Foundation, Incorporated (WCFI). The Office of the Wisconsin Covenant is also directed by statute to contract with WCFI to establish and implement a campaign to promote attendance at nonprofit postsecondary institutions in this state when deemed appropriate by the Secretary of the Department of Administration.

The Wisconsin Covenant Foundation is a nonprofit corporation governed by a board of directors. The Foundation's primary purpose is to raise funds to be used to provide financial aid for Wisconsin covenant participants who have demonstrated financial need. In November, 2007, the Great Lakes Higher Education Corporation and Affiliates, which originates, guarantees, and service loans made to students enrolled in Wisconsin postsecondary institutions, pledged \$40 million to endow the Wisconsin Covenant Foundation. These funds are to be used to provide financial support for low-income students who fulfill the Wisconsin covenant pledge.

In addition, 2007 Act 20 created an appropriation for Wisconsin covenant scholars grants under HEAB. This appropriation was unfunded in the 2007-09 biennium. However, as the first Wisconsin covenant scholars enrolled in the program as eighth graders in the spring of 2007, it is anticipated that the first covenant scholars would enroll in colleges and universities in fall, 2011. If funding from this appropriation were to be used to provide grants to Wisconsin covenant students, funding would not need to be provided until the 2011-13 biennium.

Currently, statutes specify that to be eligible for a Wisconsin covenant scholars grant, a student must be a resident of this state and enrolled at least half-time as a freshman, sophomore, junior, or senior at a public, private, or tribally-controlled postsecondary institution located in this state. A

student would be eligible for up to 10 semesters of support provided he or she meets acceptable academic standards as determined by the institution in which the student is enrolled. Current law does not specify how individual grant amounts would be determined.

Financial Aid Package

After a student applies for financial aid, the college attempts to meet as much of a student's need as possible by the offer of a financial aid package. Institutional financial aid officers are responsible for packaging a student's financial aid based on the needs analysis. Packaging is the selection of various types and amounts of aid which enable a student to pay for educational costs. Some elements of a financial aid package are automatically included such as Pell Grants, which are determined at the time the parental contribution is determined by the federal processor, and WHEG and tuition grants, which are calculated by HEAB. Meanwhile, funding from programs such as Supplemental Educational Opportunity Grants, college work-study, Perkins Loans, and institutional grants are controlled and distributed by an institution's financial aid office. However, the amount institutional financial aid officers may award to a student from these campus-based programs may be limited by the amount of Pell Grant, WHEG or TG funds that each student receives.

The financial aid package represents an attempt to rationalize and simplify the distribution of monies to students. The package is also developed in a hierarchy. For example, grants and scholarships are more desirable than loans and are, therefore, applied first to reduce a student's need. One exception to this rule is state grant programs for minority/disadvantaged students. These are added last to the financial aid package, replacing federal loan aid with state grant aid. For 2006-07, grant funds accounted for 48.7% of need-based financial aid,

with loans at 46.5%, and work-study at 2.9%. This ratio varies by the type of institution attended: grants account for 59.2% of the aid at independent colleges (where costs, and consequently need, are the highest), 56.8% at technical colleges, and 39.1% at UW campuses.

This package is not the final step in the aid process, however, since the financial aid office does not control the distribution of guaranteed student loans from private lenders. Finally, a student is under no obligation to accept the entire package. For example, a student could accept the grant and work-study aid but refuse the loans. Students must be registered for classes before aid can be issued to them at the beginning of a semester. They are also required to pay their tuition and fees with the proceeds of the aid before the remaining aid can be distributed to them.

Table 12 compares the average cost, need, and need-based aid awarded per student by type of institution over the most recent five-year period for which information is available. As the table shows, total cost and average need has increased at all three types of institutions over the period shown. This increase was the greatest at UW System insti-

tutions, where costs and need increased by 32% and 35% respectively, but was also significant at the technical colleges and the private institutions where costs and need both increased by approximately 20%. Increases in aid were less than increases in costs and need for students enrolled in all three types of institutions. Indeed, while average aid for UW students increased by 20%, aid for technical college students increased by only 3% and decreased by almost 5% for private college students. As a result, unmet need increased for students at all three types of institutions.

While the average cost of attending a UW institution is only 30% greater than the cost of attending a technical college, on average, UW students receive approximately 84% more aid. As a result, the unmet need of a technical college student is approximately 38% higher than that of a student attending a UW institution. Approximately 80% of the difference in aid awarded to UW students and technical college students is attributable to differences in the amount of federal loans awarded. Stafford loan awards, which many technical college students may not be eligible for because recipients must be enrolled at least half-time, are equal to 31% of UW students' total need

Table 12: Financial Aid Data by Institution Type: Resident Undergraduates

	No. of Recipients	Avg. Cost	Avg. Contribution	Avg. Need	Avg. Aid	Unmet Need
UW System						
2002-03	46,601	\$10,911	\$3,670	\$7,241	\$5,290	26.9%
2003-04	49,630	11,594	3,809	7,785	5,610	27.9
2004-05	52,449	12,724	4,137	8,588	6,026	29.8
2005-06	52,182	13,544	4,460	9,084	6,170	32.1
2006-07	53,501	14,450	4,688	9,762	6,423	34.2
Technical Colleges						
2002-03	32,753	\$9,403	\$2,631	\$6,773	\$3,393	49.9%
2003-04	34,190	9,954	2,513	7,440	3,514	52.8
2004-05	35,544	10,119	2,630	7,490	3,512	53.1
2005-06	35,990	10,455	2,930	7,525	3,503	53.4
2006-07	35,968	11,146	3,048	8,098	3,496	56.8
Private Colleges						
2002-03	19,900	\$21,553	\$7,674	\$13,880	\$9,232	33.5%
2003-04	21,187	22,361	7,653	14,707	9,291	36.8
2004-05	21,419	23,348	8,125	15,223	9,662	36.5
2005-06	21,812	23,232	9,710	13,522	8,941	33.9
2006-07	22,545	26,209	9,119	17,090	8,791	48.6

but only 18% of technical colleges students' total need. In addition, Perkins loans, which are made by the institution, cover 5.4% of UW students' total need but less than 1% of the need of technical college students.

Interstate Comparisons

The appendix to this paper shows the relative importance of need-based and total financial aid in state higher education budgets for 2006-07. Wisconsin is lower than the national average all of the four measures shown: need-based grants per full-time undergraduate student, total aid per full-time undergraduate student, the percent of students receiving aid, and aid as a percentage of state general funds for higher education. Nonetheless, Wisconsin ranks more than \$100 above the median in need-based grant per full-time undergraduate student and at the median in terms of the percentage of students receiving aid. Wisconsin also ranks above the U.S. median in aid as percentage of state funds for higher education operating expenses.

Since 2001-02, Wisconsin's need-based aid per student has increased relative to the other states while total aid has decreased. This indicates that Wisconsin has provided above average increases in need-based aid but below average increases in non-need-based, or merit, aid. In addition, the number of awards per FTE undergraduate student has decreased from 28.6% to 26.0%. This may be the result of policy decisions to provide greater awards to a lesser number of students. Finally, aid as a percentage of state general funds for higher education operating expenses increased from 6.1% in 2001-02 to 8.0% in 2006-07. This signifies that aid funding increased at a faster rate than funding for higher education operating expenses during that period.

When comparing funding for student financial aid across the states, it is important to do so in the

context of the tuition policy decisions made by those states. In general, high tuition states provide greater amounts of need-based financial aid while low tuition states provide lesser amounts. States that have low tuition provide a large higher education subsidy to all students by requiring students to pay a smaller amount of educational costs; by contrast, states with high tuition and high amounts of need-based financial aid are targeting the higher education subsidy to those students who have the greatest financial need. Some states, such as New York, Washington, and North Carolina, have both low tuition and high amounts of need-based financial aid. When compared to the other 43 states, the Midwestern Big Ten states charge medium to high tuition and, with the exception of Michigan, provide medium to high amounts of need-based financial aid.

Table 13 compares tuition at flagship public universities in Midwestern states for 2006-07 and the estimated need-based grants funds available to students in those states. As the table shows, despite charging relatively high tuition, Illinois and Minnesota provide need-based financial aid grants that are equal to a higher percentage of tuition costs than the grants provided by Wisconsin. Meanwhile, Indiana provides an above-average amount of need-based aid while charging a below average amount of tuition.

Table 13: Tuition at Flagship Universities and Estimated Need-Based State Undergraduate Grant Dollars per Undergraduate Enrollment (2006-07)

	Resident Undergraduate Tuition-Fees	Estimated Grant Dollars per FTE*	Grants as % of Tuition
Indiana	\$7,460	\$769	10.3%
Illinois	9,882	854	8.6
Minnesota	9,180	715	7.8
Ohio	8,667	577	6.7
Wisconsin	6,726	402	6.0
Iowa	5,935	339	5.7
Michigan	10,341	501	4.8

*Grant dollars per FTE data from National Association of State Student Grant and Aid Programs.

APPENDIX

2006-07 State Grant Dollars to Undergraduate Students by State

	<u>Grants Per Full-Time Student</u>		% of Students Receiving Aid	Aid as % of State Higher Ed. Funds
	Need-Based Aid	Total Aid		
New York	\$1,049	\$1,076	37.5%	18.0%
New Jersey	933	1,048	37.7	14.1
Pennsylvania	893	893	37.8	21.8
Illinois	804	854	39.5	16.0
Washington	756	769	31.5	11.3
Indiana	735	769	24.5	22.8
Minnesota	714	715	43.7	11.6
Vermont	585	585	36.4	21.5
Kentucky	542	1,098	63.6	14.7
California	509	509	12.5	7.3
North Carolina	487	659	32.6	6.8
Maryland	465	488	23.9	6.8
Texas	458	458	27.3	7.5
West Virginia	415	1,021	40.0	20.0
Ohio	401	577	41.6	11.6
Wisconsin	388	402	26.0	8.0
Oklahoma	367	432	57.6	6.9
Connecticut	344	344	14.8	4.6
Virginia	341	500	31.8	9.3
Maine	341	341	33.6	6.0
Iowa	339	339	13.0	6.9
South Carolina	332	1,788	62.9	31.8
Delaware	301	399	21.2	6.3
Massachusetts	292	292	18.2	8.1
Colorado	283	328	18.5	10.6
New Mexico	278	872	57.6	8.3
Tennessee	265	1,056	41.2	18.7
Oregon	254	256	27.7	5.1
Florida	225	811	46.2	13.5
Michigan	216	501	38.1	10.3
Rhode Island	210	210	16.7	7.1
Arkansas	208	285	11.6	4.2
Nevada	196	579	60.7	6.9
Kansas	126	127	8.6	2.1
Montana	124	124	22.2	2.7
Nebraska	123	123	40.2	1.8
Missouri	106	253	15.5	6.7
District of Columbia	88	676	8.4	NA
New Hampshire	75	75	8.6	3.0
Utah	53	62	16.2	1.3
North Dakota	50	59	9.3	1.0
Arizona	37	37	2.6	1.2
Alaska	33	33	71.4	0.2
Alabama	33	50	5.6	0.6
Mississippi	21	192	24.7	2.5
Idaho	17	100	17.9	1.6
Hawaii	10	10	20.1	0.1
Louisiana	9	720	25.2	8.5
Wyoming	7	7	1.5	0.1
Georgia	4	1,563	72.5	22.1
South Dakota	NA	61	5.6	1.2
U.S. Average	\$440	\$613	30.3%	10.6%
U.S. Midpoint	\$281	\$445	26.0%	7.0%

Source: National Association of Student Grant and Aid Programs 38th Annual Survey Report.