

Fiscal Estimate - 2013 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 13-3902/2	Introduction Number SB-676
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Description

Education and training under Wisconsin Works; reducing Wisconsin Works benefits; a minimum copayment, maximum child care hours, and reducing income based on marriage for eligibility under Wisconsin Shares; changes to the food stamp program relating to financial eligibility for benefits, allowing an election to reduce benefits, recouping unused benefits, and prohibiting supplier discounts; prohibiting advertising concerning means-tested public assistance on radio or television; requiring consideration of the income and assets of all individuals in a household for purposes of eligibility for any means-tested public assistance; eligibility requirements for persons or families of low and moderate income to receive certain housing, housing assistance, grants, loans, or benefits from the Wisconsin Housing and Economic Development Authority, the Department of Administration, and local housing authorities; reducing the authority of local housing authorities; eligibility requirement for purposes of receiving low-income energy assistance; prohibiting new claims under the earned income tax credit; limiting eligibility for the homestead tax credit; elimination of certain grant programs administered by the Higher Educational Aids Board and transfer of the unencumbered balances in the appropriations for those programs to the University of Wisconsin System for the purpose of tuition reduction; consideration of the income and assets of both parents of a student under 22 years of age for purposes of awarding a grant or scholarship to such a student and the permissible uses of grant or scholarship moneys awarded; income eligibility requirements for enrollment in a private school participating in a parental choice program; the school lunch program; and granting rule-making authority

Fiscal Effect

State:

- | | | |
|---|---|---|
| <input type="checkbox"/> No State Fiscal Effect | <input type="checkbox"/> Indeterminate | |
| <input type="checkbox"/> Increase Existing Appropriations | <input type="checkbox"/> Increase Existing Revenues | <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget |
| <input type="checkbox"/> Decrease Existing Appropriations | <input type="checkbox"/> Decrease Existing Revenues | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| <input type="checkbox"/> Create New Appropriations | | <input type="checkbox"/> Decrease Costs |

Local:

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> No Local Government Costs | | |
| <input type="checkbox"/> Indeterminate | | |
| 1. <input type="checkbox"/> Increase Costs | 3. <input type="checkbox"/> Increase Revenue | 5. Types of Local Government Units Affected
<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Counties <input type="checkbox"/> Others
<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | |
| 2. <input type="checkbox"/> Decrease Costs | 4. <input type="checkbox"/> Decrease Revenue | |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | |

Fund Sources Affected

Affected Ch. 20 Appropriations

- GPR FED PRO PRS SEG SEGS

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Fiscal Estimate Narratives

UWS 3/20/2014

LRB Number	13-3902/2	Introduction Number	SB-676	Estimate Type	Original
Description Education and training under Wisconsin Works; reducing Wisconsin Works benefits; a minimum copayment, maximum child care hours, and reducing income based on marriage for eligibility under Wisconsin Shares; changes to the food stamp program relating to financial eligibility for benefits, allowing an election to reduce benefits, recouping unused benefits, and prohibiting supplier discounts; prohibiting advertising concerning means-tested public assistance on radio or television; requiring consideration of the income and assets of all individuals in a household for purposes of eligibility for any means-tested public assistance; eligibility requirements for persons or families of low and moderate income to receive certain housing, housing assistance, grants, loans, or benefits from the Wisconsin Housing and Economic Development Authority, the Department of Administration, and local housing authorities; reducing the authority of local housing authorities; eligibility requirement for purposes of receiving low-income energy assistance; prohibiting new claims under the earned income tax credit; limiting eligibility for the homestead tax credit; elimination of certain grant programs administered by the Higher Educational Aids Board and transfer of the unencumbered balances in the appropriations for those programs to the University of Wisconsin System for the purpose of tuition reduction; consideration of the income and assets of both parents of a student under 22 years of age for purposes of awarding a grant or scholarship to such a student and the permissible uses of grant or scholarship moneys awarded; income eligibility requirements for enrollment in a private school participating in a parental choice program; the school lunch program; and granting rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

Senate Bill 676 impacts a broad array of state programs. Four components of the bill have fiscal considerations for the University of Wisconsin System: 1) Need-based scholarship award criteria, 2) Limitations on the use of scholarship funds, 3) The elimination of state financial aid programs, and 4) The use of financial aid balances to lower tuition.

1) Need-based Scholarship Award Criteria

Section 25 of SB 676 creates a new statute with the following regulation:

The board [of Regents] may not award a scholarship that is based in whole or in part on financial need to any student under the age of 22 who is a dependent of his or her parents unless the board's calculation of financial need includes consideration of the income and assets of both of the student's parents.

The Federal Application for Federal Student Aid (FAFSA) is a form created by the U.S. Department of Education to determine a student's eligibility for federal grants, loans, and work-study programs. The form includes numerous questions about the income and assets of the student and his or her parents. Because the FAFSA is ubiquitous and standardized, the information is also commonly used to administer state financial aid programs.

It is unclear if the term "dependent" in the proposed legislation refers to a student's federal tax status or a student's status on the FAFSA. The following assumes that the legislation refers to FAFSA.

Students who are classified as being "independent" for 2014-15 FAFSA purposes, as opposed to being "dependent," must meet one of the following criteria:

- 24 years old
- Married
- Working on a master's or doctorate program.
- Currently serving on active duty in the U.S. armed forces
- Have children that the student will support at least 50 percent
- Live with any other dependents that the student will support at least 50 percent
- Since turning 13, was in foster care, was a ward of the state, or lost both parents
- Emancipated or in a legal guardianship
- Homeless or certified to be at risk of becoming homeless.

For the FAFSA, a dependent student is required to report their parent's financial information. However, if a student's parents are divorced and not living together, only the parent with whom the student lives is required to provide information. As such, the FAFSA would not meet the proposed statutory language as the income of both parents would not be reported.

Further, on the FAFSA, same-sex and opposite-sex married couples both report their income as the student's parents. It is unclear whether the proposed statute would recognize both parents of a same-sex marriage for the purposes of determining financial aid. As such, the FAFSA may be incompatible with the proposed legislation.

If it is no longer possible to use the FAFSA for state financial aid determinations, the UW System will be required to create a Wisconsin-specific financial aid eligibility program. The magnitude of this undertaking cannot be understated. The UW System and institutional financial aid offices do not have appropriate resources to implement a new financial aid program of this magnitude and complexity.

To provide some context, the Student Financial Aid: 2011-12 Update reports that 30,675 resident undergraduates received the Wisconsin Higher Education Grant (WHEG). UW staff would be required to create the instrument, to develop the technical infrastructure, to train financial aid staff, to support students and families completing the form, and to process the form. The volume of applications combined with the complexity of the work would be resource intensive.

2) Limitations on the Use of Scholarship Funds

Section 25 of the proposed legislation would create the following limitation:

Scholarship moneys awarded by the board [of Regents] may be used only for tuition, fees, books, and education supplies.

It is unclear if the proposed language is intended to establish a distinction between scholarships, grants, waivers, and assistantships. It is unclear which programs would be included under this statute as "scholarships" and which would be exempt. As such, it is difficult to evaluate the magnitude of the impact.

It is also unclear how the legislation anticipates enforcing this provision. If the intent of the proposed legislation is for UW institutions to audit student spending, then the amount of time to collect, validate, and document receipts from students would be significant. For example, the UW System may be required to individually audit over 30,000 WHEG recipients each year.

3) The Elimination of State Financial Aid Programs

Section 11 through Section 23 eliminate the Tuition Grants, Talent Incentive Grants, WHEG, Minority Undergraduate Retention Grants, Handicapped Student Grant [sic], and Indian Student Assistance [sic]. These programs are part of the Wisconsin Higher Educational Aids Board's budget, and the elimination of these programs would not impact the University of Wisconsin System's budget.

However, there would likely be a fiscal impact on the university. A recent working paper from the National Bureau of Economic Research suggests that state financial aid programs, like WHEG, do impact the probability of a student enrolling in higher education immediately following high school and of a student persisting in higher education. The study found that a \$1,000 grant (in 2000 dollars) would increase a student's probability of enrollment by 2.5 percent. In other words, there could be a measurable reduction in WHEG-eligible high school students choosing to attend a UW institution.

To provide a rough estimate of the cost, the following analysis is provided. According to 2011-12 data from the Wisconsin Information System for Education (WISE), 32,892 high school graduates in Wisconsin anticipated entering a four-year institution. The Student Financial Aid: 2011-12 Update notes that 24 percent of UW undergraduates receive WHEG support. In looking at one cohort of students, if the potential high school pool (32,892) is multiplied by the percent of students eligible for WHEG (24 percent) and the possible reduction in enrollments (2.5 percent), the result is a potential reduction of about 200 headcount students in that year. Again, this is a rough estimate that is meant to provide some context to the magnitude of the impact.

4) The Use of Financial Aid Balances to Lower Tuition

Section 89 transfers unencumbered balances allocated for the eliminated financial aid programs to the

University of Wisconsin System. The university would then reduce the tuition charged to enroll in educational programs.

It should be noted that the use of the word "tuition" has historically referred to nonresident students in the statutes. This would imply that charges for educational programs would only be reduced for nonresident students. It is likely that the legislation intended to reduce the charges for resident students. If this is the case, "academic fees" could be substituted for the word "tuition." Please see Wis. Stats. 36.27 for the relevant references.

As the financial aid balances would temporarily reduce tuition by an equivalent amount for one year, there would be no significant financial impact on the university.

Long-Range Fiscal Implications