

Fiscal Estimate Narratives

UWS 9/9/2015

LRB Number	15-2281/1	Introduction Number	SB-228	Estimate Type	Original
Description					
Amount of an academic excellence higher education scholarship, the number of those scholarships that may be awarded in an academic year, the eligibility criteria for those scholarships, and creating an individual income tax credit for certain academic scholarship recipients					

Assumptions Used in Arriving at Fiscal Estimate

Senate Bill 228 modifies the Academic Excellence Higher Education Scholarship, which is established in Wis. Stat. 39.41. High school seniors with the highest GPA in each school and who meet qualifying requirements are awarded a \$2,250 scholarship. Half of the scholarship is funded by the state through the Higher Educational Aids Board (HEAB) and half is supported by the institution.

The number of scholarships awarded at each school varies by the number of students enrolled in the school.

The bill increases the amount of the scholarship from \$2,250 a year to 50 percent of the tuition and fees charged at the University of Wisconsin institution where the scholar is enrolled. Students who attend private institutions will receive 50 percent of tuition and fees charged to resident undergraduates at UW Madison. The bill also reduces the number of scholarships awarded and increases the eligibility requirements.

Further, the bill creates an income tax credit for Academic Excellence recipients who graduate, reside in Wisconsin, and work in the state. Under the proposed bill, the Academic Excellence recipient may claim 50 percent of all tuition and fees charged to a full-time student by the institution during the years the student attended the institution, or 50 percent of tuition and fees charged to resident undergraduates at UW-Madison for scholars who graduate from private institutions. The tax credit may be claimed over a five-year period at a rate of one-fifth of the credit each year.

This fiscal estimate considers the impact of the legislation on the University of Wisconsin System.

UW Support for Academic Excellence Scholarships

According to the 2013-14 Academic Excellence Scholarship Program Annual Report for HEAB, the University of Wisconsin supported \$2,403,477 for 2,348 Academic Excellence scholars. The state, through HEAB, supported the same amount from appropriation 20.235(1)(fy).

In order to determine the potential impact of this legislation, high school enrollment information from the 2013-14 Public Enrollment by District by School by Grade report is used to create an estimate of the number of scholarships that could be awarded to public school students under the revised program. The following table estimates that 350 scholarships could be awarded to qualifying students at public schools.

School Size.....	Number of Schools.....	Scholarships per School.....	Total Scholarships
< 300.....	372.....	N/A.....	
.....	70.....		
300-1499.....	222.....	1.....	
.....	222.....		
1500+.....	29.....	2.....	
.....	58.....		
Total.....			
.....	350.....		

For private schools, high school enrollment information from the 2013-14 Non-public Enrollment by District by School by Grade report is used. The following table estimates that 24 scholarships could be awarded to qualifying students at private schools:

School Size.....	Number of Schools.....	Scholarships per School.....	Total Scholarships
< 300.....	151.....	N/A.....	
.....	N/A.....		
300-1499.....	24.....	1.....	24.....
1500+.....	0.....	2.....	0.....
Total.....			24.....

Based on these tables, the total number of scholarships that will be awarded annually is anticipated to be 374.

Based on the HEAB report, it is assumed that 87.5 percent of scholarships will be accepted under the current program. While reducing the number of scholarships will likely increase the acceptance rate, increasing the eligibility criteria will likely decrease the acceptance rate. Given the uncertainty, an 87.5 percent acceptance rate is assumed for this estimate. This means that 327 scholarships are expected to be awarded ($374 \times 87.5\% = 327$).

This estimate assumes that 327 scholarships would be awarded each year resulting in a total of 1,308 freshmen, sophomores, juniors, and seniors when the program stabilizes. This assumption implies that all students will be retained until graduation and that all students will graduate within four years. Data from HEAB suggests that it is not unrealistic for the purpose of an estimate.

Of the Academic Excellence Scholars in 2013-14, 80 percent chose to attend a UW institution. Reducing the number of scholarships may change this percentage, but there is no data available to make a better estimate. As such, 80 percent is assumed for this analysis. This means that 1,046 ($1,308 \times 80\% = 1,046$) Academic Excellence scholars are expected to attend UW institutions.

Based on the proportion of students attending each UW institution in 2013-14 and 2013-14 tuition rates, the estimated total cost to the UW is \$2,481,523. Please note that this estimate is likely low as it does not include summer term tuition, winter term tuition, or undergraduate programs with higher tuition rates.

As technical notes, the per-credit tuition rate at UW-Stout was multiplied by 15 credits. The segregated fees for the UW Colleges are estimated as a simple average of all segregated fee rates for each campus. Program specific tuition rates are excluded.

In 2013-14, the UW supported \$2,403,477 for Academic Excellence recipients. With the proposed changes, it is estimated that the UW would have supported \$2,481,523 for the program – a difference of about \$80,000.

Administrative Costs of the Tax Credit

It is likely that the UW System would be required to compile information on Academic Excellence recipient attendance and tuition rates for use by the Department of Revenue (DOR) in administering the tax credit. For example, DOR may need to know if a recipient completed two years at a UW Colleges campus and transferred to complete a degree at UW-La Crosse for the purpose of calculating the student's potential tax credit.

The UW has not discussed the program's administrative needs with DOR, so an estimate of the work required is unavailable. However, based on other interagency programs, UW System estimates the work to require .25 FTE in a program and policy analyst capacity. A representative salary for an analyst is \$55,000 with an assumed \$22,500 in fringe benefits. The administrative cost is therefore estimated to be \$19,375 ($(\$55,000 + \$22,500) \times 25\% = \$19,375$).

Long-Range Fiscal Implications

The current Academic Excellence program is limited to a scholarship amount of \$2,250 per year. The proposed program is limited to 50 percent of tuition.

As tuition increases to account for inflationary pressures and quality initiatives, the cost of the Academic Excellence program will grow over time.

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Amount of an academic excellence higher education scholarship, the number of those scholarships that may be awarded in an academic year, the eligibility criteria for those scholarships, and creating an individual income tax credit for certain academic scholarship recipients		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:		
Annualized Fiscal Impact on funds from:		
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$20,000	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$20,000	\$
B. State Costs by Source of Funds		
GPR	20,000	
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		-80,000
SEG/SEG-S		
TOTAL State Revenues	\$	\$-80,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$20,000	\$
NET CHANGE IN REVENUE	\$-80,000	\$
Agency/Prepared By	Authorized Signature	Date
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