



Legislative Fiscal Bureau

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February 7, 2024

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 140/Senate Bill 161: Minnesota-Wisconsin Reciprocity Agreement

Assembly Bill 140 was introduced on March 31, 2023, and referred to the Assembly Committee on Colleges and Universities. On June 8, 2023, a public hearing was held. On October 19, 2023, the Committee recommended the bill for passage by a vote of 14-0. Assembly Amendment 1 was offered on January 4, 2024, and Assembly Amendment 2 was offered on February 2, 2024. The bill was referred to the Joint Committee on Finance on February 2, 2024.

Senate Bill 161 was introduced on April 3, 2023, and referred to the Senate Committee on Universities and Revenue. On August 23, 2023, a public hearing was held. On September 7, 2023, the Committee recommended the bill for passage by a vote of 8-0. Senate Amendment 1 was offered on January 18, 2024. The bill was referred to the Joint Committee on Finance on February 5, 2024.

BACKGROUND

Under the Minnesota-Wisconsin reciprocity agreement, residents can attend public universities, community colleges, and technical colleges in the adjacent state without having to pay nonresident tuition. Students participating under the agreement are treated as state residents for admission purposes. The agreement is administered jointly by the Minnesota Office of Higher Education (MOHE) and the Wisconsin Higher Educational Aids Board (HEAB).

Under the current agreement, each state's liability is the difference between the calculated cost of educating its students attending institutions in the other state and the total amount of tuition charged to those students. In determining liability, the two states have agreed to use what is known as the "reciprocity cost" instead of total educational costs. Reciprocity cost is that portion of total student costs that varies with changes in enrollment and excludes fixed costs.

Because the tuition paid by reciprocity students exceeds the reciprocity cost per credit, credits taken by a reciprocity student generally reduce his or her home state's liability under the program.

Beginning in 2010-11, both states have had negative liabilities under the program. This is because the total amount of tuition paid by students attending institutions under the agreement exceeded the reciprocity cost of educating those students. Because Minnesota has had a larger negative liability in each year since 2010-11, Wisconsin has made a payment to Minnesota equal to the difference between the two liabilities. Payments to Minnesota are made from a GPR sum sufficient appropriation established for this purpose.

The amount of tuition paid per credit by Minnesota reciprocity students is generally higher than that paid by Wisconsin resident students. Therefore, UW System institutions collect more tuition revenue from Minnesota reciprocity students than would otherwise be paid by Wisconsin resident students. The University does not retain this additional tuition revenue; instead, this money is deposited into the state's general fund as a departmental revenue termed "GPR-Earned." The net effect of the agreement on the GPR balance is the sum of the reciprocity payment and the tuition differential GPR-earned. The program has had a positive effect on the GPR balance since 2011-12.

The Minnesota-Wisconsin reciprocity agreement also applies to Wisconsin's technical colleges which have been included in the agreement since 1972-73. Like the portion of the agreement that pertains to university and community college students, reciprocity is statewide and technical college students pay the resident tuition rate charged by the college they attend. Minnesota residents attending Wisconsin Technical College System (WTCS) institutions pay the resident tuition rate rather than the nonresident. However, no Minnesota technical college currently charges a nonresident rate meaning that all nonresident students are charged the same rate as resident students regardless of whether they are covered by a reciprocity agreement. There is no provision for the exchange of funds between the two states to compensate for technical college students participating under the agreement.

SUMMARY OF BILL

AB 140/SB 161 would transfer administration of the Minnesota-Wisconsin student reciprocity agreement relating to the UW System from HEAB to the Board of Regents. Under the bill, the Board of Regents would administer the agreement between Minnesota and Wisconsin for UW System institutions and HEAB would administer the agreement between Minnesota and Wisconsin for students attending Wisconsin technical colleges. The bill would require HEAB to provide to the designated Minnesota body notice of the termination of the current reciprocity agreement, with the termination effective July 1, 2023, and require the Board of Regents and HEAB to enter into new agreements with Minnesota to become effective July 1, 2023. The bill would also modify the largest program revenue appropriation under the UW System to authorize the payment of any reimbursement obligation under a new reciprocity agreement between the University of Minnesota and UW System.

For the Minnesota-UW System student reciprocity agreement, the bill would require the Board of Regents, representing Wisconsin, to enter into an agreement meeting the requirements specified under the bill with the designated body representing the state of Minnesota. The bill would maintain the current law requirements regarding the purpose of the agreement being to ensure that neither state profits at the expense of the other and that the determination of any amounts owed by either

state under the agreement be based on an equitable formula that reflects the educational costs incurred by the two states, reflects any differentials in usage by residents in either state of the public institutions of higher education located in the other state, and reflects any differentials in resident tuition charged at comparable public institutions of higher education of the two states. Also consistent with current law, the bill would specify that the agreement provide for the waiver of nonresident tuition for residents of either state who are enrolled in public institutions of higher education in the other state, establish a reciprocal fee structure for residents of either state who are enrolled in public institutions of higher education located in the other state, and specify that the reciprocal fee may not exceed the higher of the residential tuition that would be charged the student at the public institution of higher education in which the student is enrolled or the resident tuition that would be charged at comparable public institutions of higher education located in the student's state of residence. The bill would also maintain the current law requirement prohibiting receipt of a nonresident tuition waiver by a person whose name is on the statewide support lien docket.

Prior to each academic year, the bill would require the Board of Regents and the Minnesota designated body to prepare an administrative memorandum that establishes policies and procedures for implementation of the agreement for the upcoming academic year, including a description of how the reciprocal fee structure would be determined, and submit the memorandum to the Joint Committee on Finance subject to a 14-day passive review approval process. The bill would also maintain the current law requirement that at the end of each semester or academic term, each state must determine the number of participating students and certify to the other state the aggregate amount of its reimbursement obligation, and the state with the larger reimbursement obligation is required to pay the net obligation as provided in the agreement by a reasonable date, after which interest may be charged on the amount owed consistent with a methodology determined in the agreement. The bill would modify the largest program revenue appropriation under the UW System to authorize the payment of any reimbursement obligation under the new reciprocity agreement, effective July 1, 2023. In addition, the bill would specify that in allocating funding for each UW System institution, the Board of Regents is required to ensure that each institution is allocated the amounts received through any reimbursement obligation in proportion to the total amount each institution charged its students with Minnesota residence in tuition and fees under the reciprocity agreement.

For the Minnesota-Wisconsin public vocational school student reciprocity agreement, the bill would require HEAB to enter into an agreement with the designated body representing Minnesota which provides for the waiver of nonresident fees for a resident of either state who is enrolled in a public vocational school located in the other state. The bill would specify that the reciprocal fee may not exceed the higher of the resident fees that would be charged the student at the public vocational school in which the student is enrolled or the resident fees that would be charged the student at a comparable public vocational school located in his or her state of residence, as specified in the required annual administrative memorandum. Consistent with current law, the agreement would be subject to approval by the Joint Committee on Finance under a 14-day passive review process.

SUMMARY OF AMENDMENTS

Assembly Amendment 1 and Senate Amendment 1 would remove the bill language which modifies the largest UW System appropriation to authorize the payment of any reimbursement

obligation under a new reciprocity agreement between the University of Minnesota and UW System. A separate bill (AB 920/SB 896) has been introduced with the appropriation language.

Assembly Amendment 2 would delete the July 1, 2023, effective date for the new reciprocity agreements and delete the requirement that HEAB and the Board of Regents notify the Minnesota reciprocity representative of termination of the agreement. Under the amendment, HEAB and the Board of Regents would be required to provide to the designated body representing the state of Minnesota notice of intent to modify and make changes to the student reciprocity agreement, rather than notice of termination, but would not specify a date by which this would be required.

FISCAL EFFECT

Under the bill, effective July 1, 2023, it is anticipated that UW System would pay Minnesota its cost-based reimbursement (if any) from its largest PR appropriation, and would deposit the additional tuition paid by Minnesota residents in that same appropriation, rather than depositing the tuition amount in the general fund as GPR-Earned.

With the July 1, 2023, effective date for these changes in the bill having passed, an amendment to the bill is necessary to clarify the effective date. AA2 would remove the reference to this effective date. On December 13, 2023, the Board of Regents approved a resolution which included terms related to a proposal negotiated between the Legislature's majority party leadership and the UW System's President and Chancellor of UW-Madison. The resolution requires UW System to take a number of actions regarding System personnel and admissions processes, subject to, and contingent upon, the Legislature approving specified state funding for UW System within specified time frames. Required legislative actions include passage of AB 140, with the provision that the bill be amended to update the current termination date of the reciprocity agreement with Minnesota to be effective upon Board of Regent approval of an extension to that agreement.

Depending on the effective date of Board of Regent approval of an extension of the reciprocity agreement, the timing of the fiscal effect of the bill could vary. Assuming the bill is passed and the Board of Regents approves the reciprocity agreement extension during fiscal year 2023-24, it would reduce expenditures from the GPR sum sufficient appropriation under HEAB by an estimated \$6.5 million in fiscal year 2023-24 and reduce GPR-Earned under the UW System by an estimated \$26.7 million in fiscal year 2023-24 for a net reduction to the general fund's balance of \$20.2 million in fiscal year 2023-24.

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