



Legislative Fiscal Bureau

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February 7, 2024

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 920/Senate Bill 896: Minnesota-Wisconsin Reciprocity Agreement

Assembly Bill 920 was introduced on January 9, 2024, and Senate Bill 896 (the Senate companion bill) was introduced on January 10, 2024. The bills were referred to the Joint Committee on Finance on January 9, 2024, and January 10, 2024, respectively. A public hearing was held on January 11, 2024. Assembly Amendment 1 to AB 920 was offered on February 2, 2024.

BACKGROUND

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 Assembly Bill 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. AB 140 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.

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.

Under AB 140, it is anticipated that UW System would pay Minnesota its cost-based reimbursement 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. 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 in each year by an estimated \$6.5 million beginning in 2023-24 and reduce GPR-Earned under the UW System by an estimated \$26.7 million in each year, for a net reduction to the general fund's balance of \$20.2 million annually beginning in 2023-24.

SUMMARY OF BILL

Assembly Bill 920 would 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. The bill specifies that all tuition and fees received by UW System under such an agreement and any net obligations received under such an agreement would be credited to this appropriation, effective July 1, 2023.

Assembly Bill 920 would have no effect unless AB 140 is also passed. AB 140 would require UW System to enter into, administer, and renegotiate with Minnesota a tuition reciprocity agreement that provides for the waiver of nonresident tuition and for a reciprocal fee structure for residents of either state who are enrolled in public institutions of higher education located in the other state, and includes requirements related to that agreement.

SUMMARY OF ASSEMBLY AMENDMENT 1

Assembly Amendment 1 would delete the reference to the July 1, 2023, effective date and specify that any payment received by Wisconsin in connection with students enrolled in the UW System for whom nonresident tuition has been waived under an agreement entered into by HEAB prior to the effective date of the bill would be credited to the UW System's largest PR appropriation and any related reimbursement obligation would be paid from the same appropriation.

FISCAL EFFECT

In isolation, the bill would not have a fiscal effect. The bill would modify an appropriation to authorize payments and receipt of tuition and fees that would occur under AB 140 if both AB 920/SB 896 and AB 140 become law.

Under AB 140, instead of reciprocity payments being made to Minnesota by HEAB, and revenue from the tuition differential (the difference between the higher tuition paid by Minnesota reciprocity students and resident tuition charged to resident students attending UW System institutions) being deposited in the general fund as GPR-Earned, UW System would make the reciprocity payments and retain the reciprocity tuition differential. It is estimated that AB 140 would reduce the general fund's balance by \$20.2 million GPR annually beginning in 2023-24, or \$40.4 million over the 2023-25 biennium, if the agreement between UW System and the University of Minnesota is in place by the end of the current fiscal year.

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