



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #1180

Wisconsin Higher Education Grant (HEAB)

[LFB Summary of the Governor's Budget Reform Bill: Page 58, #2 and #3]

CURRENT LAW

The Wisconsin higher education grant (WHEG) program provides need-based grants to resident undergraduates enrolled at UW campuses, Wisconsin Technical College System (WTCS) institutions and tribal colleges. Students enrolled at least half-time are eligible for grants ranging from \$250 to \$1,800 per year for no more than 10 consecutive semesters. Funding for WHEG awards is provided in three separate appropriations within HEAB, one GPR appropriation each for UW Students, WTCS students and a PR appropriation for tribal college students.

GOVERNOR

Provide \$1,200,000 in 2002-03 to increase funding for the WHEG program for UW students, and provide \$800,000 in 2002-03 to increase funding for the WHEG program for technical college students. The WHEG program for UW students base funding would increase by 5.8% to \$21,839,600 from \$20,639,600 in 2002-03. The WHEG program for technical college students base funding would increase by 5.7% to \$14,874,000 from \$14,074,000 in 2002-03.

DISCUSSION POINTS

1. HEAB currently administers eight, need-based financial aid programs totaling \$60,298,300 GPR in 2001-02. The WHEG programs are the largest source of state-funded need-based grants to UW and WTCS students. WHEG awards were provided to 17,943 UW students (16.2% of resident undergraduates enrolled at least half-time) and 18,892 WTCS students (34.3% of

resident undergraduates enrolled at least half-time) in 2000-01. The average grant was \$1,151 for UW students and \$739 for WTCS students. The number of students who will receive awards and the average amount of each award are determined by formula using nationally approved needs methodology. Currently, WHEG grants are limited by statute to a minimum of \$250 and a maximum of \$1,800 per academic year.

2. WHEG funding was increased in 2001 Act 16 as shown in the following table.

Act 16 Funding			
	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
WHEG-UW	\$18,900,300	\$19,750,800	\$20,639,600
Change to Prior Year			
Amount		\$850,500	\$888,800
Percent		4.50%	4.50%
 WHEG-WTCS	 \$13,201,900	 \$13,631,000	 \$14,074,000
Change to Prior Year			
Amount		\$429,100	\$443,000
Percent		3.25%	3.25%

3. The Governor's proposal would provide \$1,200,000 in 2002-03 to increase funding for the WHEG program for UW students and \$800,000 in 2002-03 to increase WHEG funding for technical college students. For WHEG-UW, total funding would increase by 5.8% to \$21,839,600 from \$20,639,600 in 2002-03. The proposed level of funding for WHEG-UW in 2002-03 would represent a 10.6% increase over the \$19,750,800 provided in 2001-02 under Act 16. For WHEG-WTCS, total funding would increase by 5.7% to \$14,874,000 from \$14,074,000 in 2002-03. The proposed level of funding for WHEG-WTCS in 2002-03 would represent a 9.1% increase over the \$13,631,000 provided in 2001-02 under Act 16.

4. According to the administration, the Governor's proposal to increase funding for the WHEG programs in 2002-03 attempts to offset potential resident undergraduate tuition increases at UW System campuses and technical colleges. The WTCS Board recently approved tuition increase for 2002-03 of 4.7% for students enrolled in postsecondary/vocational adult programs and 4.44% for students enrolled in college parallel programs. These increases could be modified by the WTCS Board, depending on the final budget adjustment legislation. Increases in UW tuition are determined by the Board of Regents and depend, in part, on the level of funding provided in the University's budget and on salary increases provided in the state's compensation plan. Actual UW

tuition for 2002-03 will not be approved by the Regents until July; however, based on current enrollment and tuition revenue, the Board of Regents would need to increase undergraduate resident tuition by an estimated 7% to 9.1% in 2002-03 for UW-System initiatives in Act 16 funded in part with tuition and unclassified pay plan increases funded with tuition exclusive of any additional base budget reductions. The Governor's budget reform bill would reduce \$40 million GPR from the UW System in 2002-03 and \$6 million from WTCS and would cap undergraduate resident tuition increases at the UW System and tuition increases at WTCS at 10% in 2002-03, except for UW differential tuition. The UW System President has indicated that as a result of the budget reduction the Board may use its tuition authority to fund a larger share of UW System initiatives in 2002-03, which could result in higher tuition increases at most campuses.

5. Increasing WHEG funding by the same percentage as the estimated increase in tuition will not necessarily guarantee that the tuition increase for an individual student will be offset by the financial aid increase. The change in the amount of award due to an increase in program funding depends on a number of factors including the number of eligible students and adjustments made by HEAB to the formula factors. For example, additional funding provided for a program can be used to increase the number of students receiving awards rather than the average award amount. Further, costs other than tuition, such as room and board, books, transportation and miscellaneous expenses can account for over two-thirds of the cost of attending a UW campus or technical college. For resident undergraduate students enrolled at least half-time in degree or certificate programs that filed for financial aid in 2000-01, WHEG covered an average of approximately 4.9% of total costs for UW students and 5.7% for WTCS students.

6. Annually, by April 10, the UW Board of Regents and the WTCS Board are each required to submit a proposed formula for the distribution of WHEG grants to students attending their respective institutions for the following academic year. If additional funds were provided for 2002-03, the student aid formula would need to be changed. However, according to HEAB staff, most aid disbursements do not begin until August, so, it would be possible to make formula adjustments to accommodate any changes in funding that may occur through August.

7. In 2000-01, total state-funded financial aid accounted for 15% of all need-based financial aid received by Wisconsin undergraduates, while the federal government provided 71% of the funds, institutions provided another 12% and other sources provided the remaining 2%. However, the majority of the federal aid is in the form of loans to students. Over the past few years, federal funding for student assistance programs, including grants, work-study and loans has increased between 11% and 15% annually. The Bush administration has proposed increasing funding for student assistance programs by 2.8% in 2003. As a result of the federal government's role as the primary resource for student aid, changes in federal funding and formulas have a much greater impact on the financial aid received by a student than changes in state funding.

ALTERNATIVES TO BILL

A. WHEG Program for UW Students

1. Approve the Governor's recommendation to increase funding for the WHEG program for UW students by \$1,200,000 in 2002-03.
2. Maintain current law.

<u>Alternative A2</u>	<u>GPR</u>
2001-03 FUNDING	- \$1,200,000

B. WHEG Program for WTCS Students

1. Approve the Governor's recommendation to increase funding for the WHEG program for WTCS students by \$800,000 in 2002-03.
2. Maintain current law.

<u>Alternative B2</u>	<u>GPR</u>
2001-03 FUNDING	- \$800,000

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