



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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May 15, 2003

Joint Committee on Finance

Paper #798

### **Supplemental Funding from UW System Auxiliary Enterprises for Lawton Advanced Opportunity Program, and WHEG-UW Grants (HEAB and UW System)**

[LFB 2003-05 Budget Summary: Page 270, #3; Pages 449 to 450, #4 and #5]

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#### **CURRENT LAW**

The WHEG-UW program provides grants to resident undergraduate students enrolled at least half-time. Eligible students may receive grants of \$250 to \$1,800 per year for no more than ten consecutive semesters. Under 2001 Act 109, the WHEG-UW appropriation will change from a biennial sum certain to a sum sufficient appropriation effective July 1, 2003, and annual funding increases for the WHEG-UW appropriation will be linked to the highest prior year increase for undergraduate resident tuition at any UW System starting in 2003-04. Base GPR funding in 2002-03 for this program is \$21,839,600.

The Lawton Grant provides financial assistance to minority undergraduate students who demonstrate financial need. Sophomores, juniors, and seniors, enrolled for at least six credits, are eligible for up to four years of support and an annual maximum grant of \$2,500. Under 2001 Act 109, the Lawton Grant appropriation will change from a biennial sum certain to a sum sufficient appropriation effective July 1, 2003, and annual funding increases for the Lawton appropriation will be linked to the highest prior year increase for undergraduate resident tuition at any UW System starting in 2003-04. Base GPR funding in 2002-03 for this program is \$3,080,800.

The AOP program provides grants to minority and economically disadvantaged graduate students enrolled at UW institutions. Base GPR funding for this program is \$4,905,900 in 2002-03.

As part of its operations, each UW System campus administers auxiliary enterprises, which are non-instructional facilities that provide services to students. These operations, including residence halls, dining halls, parking, and bookstores, are self-supporting through user

fees, merchandise sales, and interest earnings. Other non-instructional activities, such as student government, student health services, transportation, student unions, and intercollegiate athletics, are funded, at least in part, through a segregated fee assessed to all students which is also included under the UW System's auxiliary enterprises appropriation. Funding for UW System auxiliary enterprises is provided in a continuing appropriation with base funding of \$443,500,500 in 2002-03.

## GOVERNOR

Reduce the Wisconsin higher education grants funding for UW students by \$1,093,700 GPR in 2003-04 and \$1,912,800 GPR in 2004-05. Provide \$6,453,700 PR in 2003-04 and \$15,032,800 PR in 2004-05 in supplemental funding through a new annual appropriation funded through transfers from the UW System's auxiliary enterprises appropriation.

Provide \$761,500 PR in 2003-04 and \$1,842,100 PR in 2004-05 in supplemental funding for the Lawton minority undergraduate need-based grant program through a new annual appropriation funded through transfers from the UW System's auxiliary enterprises appropriation.

Provide \$825,000 PR in 2003-04 and \$1,650,000 PR in 2004-05 in supplemental funding for the advanced opportunity program (AOP) through a new annual appropriation funded through transfers from the UW System's auxiliary enterprises appropriation.

These change are presented in the following table.

Program	2002-03	Senate Bill 44		Change to 2002-03	
		2003-04	2004-05	2003-04	2004-05
<b>WHEG UW</b>					
GPR	\$21,839,600	\$20,745,900	\$19,926,800	-\$1,093,700	-\$1,912,800
PR	<u>0</u>	<u>6,453,700</u>	<u>15,032,800</u>	<u>6,453,700</u>	<u>15,032,800</u>
Total	\$21,839,600	\$27,199,600	\$34,959,600	\$5,360,000	\$13,120,000
% Change to Prior Year		24.5%	28.5%		
<b>Lawton</b>					
GPR	\$3,080,800	\$3,080,800	\$3,080,800	\$0	\$0
PR	<u>0</u>	<u>761,500</u>	<u>1,842,100</u>	<u>761,500</u>	<u>1,842,100</u>
Total	\$3,080,800	\$3,842,300	\$4,922,900	\$761,500	\$1,842,100
% Change to Prior Year		24.7%	28.1%		
<b>AOP</b>					
GPR	\$4,905,900	\$4,905,900	\$4,905,900	\$0	\$0
PR	<u>0</u>	<u>825,000</u>	<u>1,650,000</u>	<u>825,000</u>	<u>1,650,000</u>
Total	\$4,905,900	\$5,730,900	\$6,555,900	\$825,000	\$1,650,000
% Change to Prior Year		16.8%	14.4%		

## DISCUSSION POINTS

### WHEG-UW Grants

1. The WHEG-UW program provides grants to resident undergraduate students enrolled at least half-time at UW System campuses. Currently, WHEG grants are limited by statute to a minimum of \$250 and a maximum of \$1,800 per academic year. The number of students who will receive awards and the average amount of each award are determined by formula using nationally approved needs methodology. The average grant was \$1,012 in 2001-02. In 2001-02, a total of \$19,380,141 was expended for WHEG-UW providing approximately 19,100 UW System students with grants. Base funding for the WHEG-UW program is \$21,839,600 GPR in 2002-03.

2. A provision in 2001 Act 109 (the 2001-03 budget adjustment act) linked WHEG-UW funding increases to tuition increases at the UW System. Effective July 1, 2003, the appropriation for WHEG-UW will change from a biennial sum certain to a capped sum sufficient appropriation. Act 109 specified that the appropriation amount in any year would be the prior year amount adjusted by the applicable percentage increase in undergraduate resident tuition, rounded to the nearest \$100. However, if tuition were to decrease or remain unchanged, funding would remain at the prior year amount.

3. The Governor's proposal would reduce the Wisconsin higher education grants funding for UW students by \$1,093,700 GPR in 2003-04 and \$1,912,800 GPR in 2004-05. According to executive budget staff, the GPR reduction for WHEG-UW was used to offset for National Guard tuition grant funding increases provided in SB 44. It was believed that the use of auxiliary funding for the National Guard grants would not be appropriate, given that recipients of such grants may attend all higher education sectors, not just the UW System.

4. However, in order to offset the GPR reduction and provide a financial aid increase for the eligible students, the Governor's proposal would provide \$6,453,700 PR in 2003-04 and \$15,032,800 PR in 2004-05 in supplemental funding through a new annual appropriation funded through transfers from the UW System's auxiliary enterprises appropriation. As a result of the supplemental funding, total funding available for WHEG-UW grants would increase from base funding of \$21,839,600 in 2002-03 to \$27,199,600 in 2003-04 and \$34,959,600 in 2004-05, which would represent 24.5% and 28.5% annual increases, respectively.

5. According to executive budget documents, the Governor's proposal to increase funding for the WHEG-UW program with UW System auxiliary operations funds during the 2003-05 biennium attempts to offset the tuition increases for resident undergraduates that may be required at the UW System campuses. The additional financial aid would help reduce the impact of these increases on students with financial need. Under SB 44, the UW Board of Regents could increase tuition for resident undergraduate students at UW-Madison or UW-Milwaukee by up to \$350 a semester over the tuition charged in the prior academic year during the 2003-04 and 2004-05 academic years, and for a student enrolled at any other UW System institution by up to \$250 a semester over the tuition charged in the prior academic year in the 2003-04 and 2004-05 academic year. If fully implemented by the Board, resident undergraduate tuition would increase by between

16.6% and 18.7% in 2003-04 and between 14.4% and 15.8% in 2004-05, depending on the campus.

6. As an alternative to the Governor's proposal, the Committee could choose to reduce net funding for WHEG-UW so that it would result in increases equal to the highest rate of the proposed tuition increase, 18.7% in 2003-04 and 15.8% 2004-05. This could be done by reducing either the PR or GPR funding provided in SB 44. However, the proposed net funding increase for WHEG-UW above the proposed rate of increase in the rate of tuition increase, as provided in the Governor's proposal, would likely provide more grants for UW System students and higher average grant awards than currently provided under the program. In public testimony, many students have expressed support for increased need-based grants, in order for them to continue to pursue higher education. For need-based grant recipients, with an average 2001-02 household income of \$23,429, state-funded financial aid programs, such as WHEG-UW, can help make enrolling at a UW System institution feasible.

7. The WHEG-UW grants represented approximately 8.7% of the \$223.4 million in need-based financial assistance awarded to resident undergraduate UW students in 2001-02. Total state-funded financial aid accounted for 10% of need-based financial aid received by UW System resident undergraduates, while the federal government provided 87% of the funds and institutions provided another 3%.

8. 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. For fiscal year 2004, the President has proposed a 15% increase in funding for the Pell grant, the main form of federal aid to college students, by \$1.9 billion to a total of \$12.7 billion. Since Congress has not yet acted on the administration's proposals, actual changes to federal financial aid programs are not known. Under the previous federal budget bill, the Pell Grant program experienced less than a 1% increase in funding.

9. While the Governor's proposal increases financial aid programs for UW System students, it maintains base level funding for all other financial aid programs. Given the role of federal funding, the uncertainty of using auxiliary operations funds, and the Governor's level funding for all other higher education sector's financial aid programs, the Committee could choose to restore the GPR reductions proposed by the Governor and maintain funding at \$21,839,600 GPR in both 2003-04 and 2004-05. This would delete the proposed use of monies from UW System auxiliary enterprises.

10. As noted, under 2001 Act 109, increases in the annual appropriation for the WHEG-UW grants would be linked to the highest prior year increase for resident undergraduate tuition at any UW System institution starting in 2003-04. In order to realize the GPR reduction identified in SB 44 and fund WHEG-UW through auxiliary funds during the 2003-05 biennium, the bill would need to be modified to delete or suspend this linkage. If the linkage remains unchanged from current law, GPR funding for WHEG-UW would increase an estimated \$2,511,600 in 2003-04 (11.5%) over base funding of \$21,839,600 GPR and an estimated \$7,065,300 in 2004-05, which would represent an 18.7% increase in 2004-05 over 2003-04. This would represent increases of \$3,605,300 GPR in 2003-04 and \$8,978,100 GPR in 2004-05 to the amounts provided in SB 44.

11. If the link were maintained, WHEG-UW GPR funding would continue to increase at the same rate as the highest prior year increase for UW System resident undergraduate tuition. The administration has requested that the Committee modify SB 44 to include a provision to preserve the sum-sufficient nature of the WHEG-UW GPR appropriation and retain the link of funding increases to tuition increases at UW for future biennia. For 2003-05, the administration proposes suspending the link to tuition increases, and the conversion of the WHEG-UW GPR-funded appropriation from a biennial sum certain to a sum sufficient appropriation until July 1, 2005.

12. As an alternative to the Governor's proposal, the Committee could consider eliminating the link between WHEG-UW's GPR appropriation funding and tuition increases and fund the WHEG-UW through a biennial sum certain appropriation. This would give the Legislature more control over future funding of the WHEG-UW appropriation through the biennial budget process rather than linking increases to decisions made by the UW System Board of Regents. However, tuition increases for resident undergraduates are generally the result of biennial budget funding and legislatively approved classified and non-classified pay plans, so the Legislature does exercise some measure of indirect control of tuition increases through its budget decisions for the UW System.

### **Lawton Grants**

13. The Lawton Grant program provides financial assistance to minority undergraduate students who demonstrate financial need. Sophomores, juniors, and seniors, enrolled for at least six credits, are eligible for up to four years of support and an annual maximum grant of \$2,500. Since freshmen are not eligible for Lawton grants, this is a retention, rather than a recruitment program. In 2001-02, 2,072 students received a total of \$2,766,620 averaging \$1,335 per grant. Base GPR funding in 2002-03 for this program is \$3,080,800. Similar to the WHEG-UW program, under 2001 Act 109, annual funding increases for the Lawton appropriation will be linked to the highest prior year increase for undergraduate resident tuition at a UW institution starting in 2003-04.

14. The Governor's proposal would provide \$761,500 PR in 2003-04 and \$1,842,100 PR in 2004-05 through a new annual appropriation funded through transfers from the UW System's auxiliary enterprise appropriation. Total funding for Lawton grants would increase by 24.7% to \$3,842,300 in 2003-04 and 28.1% to \$4,922,900 in 2004-05 over base funding of \$3,080,800 GPR in 2002-03. According to Executive Budget staff, the increase in Lawton Grant funding would assist under-represented groups who may need more financial incentive to continue their undergraduate education and cover the likely tuition increase under the Governor's proposal.

15. Similar to the WHEG-UW grant program, a provision in 2001 Act 109 would link increases in the annual appropriation for the Lawton grants to the highest prior year increase for resident undergraduate tuition at any UW System institution starting in 2003-04. Effective July 1, 2003, the Lawton appropriation will be modified from a biennial sum certain to a sum sufficient appropriation. If the linkage remains unchanged from current law, GPR funding for Lawton would need to increase an estimated \$354,300 in 2003-04 (11.5%) over 2002-03 and an estimated \$996,600 in 2004-05, which would represent an 18.7% increase in 2004-05 over 2003-04. SB 44 would need to be modified to delete or suspend this linkage in order to fund increases for Lawton

only through auxiliary appropriation transfers.

16. As with WHEG-UW, the administration has requested that the Committee modify SB 44 to include a provision to preserve the sum-sufficient nature of the Lawton grant GPR appropriation and retain the link of funding increases to tuition increases at UW for future biennia. The administration proposes suspending the link to tuition increases and increased GPR-funding for Lawton grants during the 2003-05 biennium.

### **AOP Grants**

17. The AOP program provides grants to minority and economically disadvantaged graduate students enrolled at UW institutions. In 2001-02, the most recent year for which data are available, 82% of the grants were provided to minority students. In 2001-02, 523 students received AOP awards totaling \$4,721,869. The UW treats AOP as a fellowship, rather than a grant program, thus making AOP recipients eligible for fringe benefits, primarily health insurance. The AOP program is the only state-funded program that provides need-based grants to graduate students.

18. The Governor's proposal would provide \$825,000 PR in 2003-04 and \$1,650,000 PR in 2004-05 in supplemental funding for the AOP through a new annual appropriation funded through transfers from the UW System's auxiliary enterprises appropriation. Total funding for AOP would increase by 16.8% to \$5,730,900 in 2003-04 and an additional 14.4% to \$6,555,900 in 2004-05 from base funding of \$4,905,900 provided in 2002-03.

19. According to executive budget staff, the additional funding for AOP grants was intended to offset potential tuition increases for graduate students during the 2003-05 biennium, if the UW Board of Regents increased tuition for graduate students by the same percentage as the proposed undergraduate resident tuition increases during the same period. However, UW System staff has indicated that the percentage increase for graduate students will likely be less than for undergraduates, since base annual tuition for graduate students is much higher than for undergraduates.

### **Funding for Financial Aid Programs**

20. The Governor has proposed funding all three financial aid program increases through the transfers from the UW System's auxiliary enterprises appropriation. Under SB 44, a total of \$26,565,100 would be transferred during the biennium, with \$8,040,200 transferred in 2003-04 and \$18,524,900 in 2004-05. In 2002-03, total revenues from auxiliary enterprises are estimated at \$589.2 million, consisting of \$128.0 million from student segregated fees and \$461.2 million from other auxiliary operations.

21. As part of its operations, each UW System campus administers auxiliary enterprises, which are non-instructional facilities that provide services to students, the campus, and the community. The distinguishing characteristic of most auxiliary enterprises is that they are managed essentially as self-supporting activities, although sometimes a portion of student fees or other support is allocated to assist these activities. Auxiliary activities, including residence halls, dining

halls, parking, and bookstores, are self-supporting through user fees, merchandise sales, and interest earnings. Other non-instructional activities, such as student government, transportation, unions, and intramural athletics, are funded, at least in part, through a segregated fee assessed to all students.

22. According to executive budget staff, it was expected that the UW System would most likely fund the supplemental appropriation for financial aid during this biennium through the auxiliary enterprises appropriation by utilizing a portion of reserve funds. While not specified in the bill, it was assumed that the UW would accommodate the financial aid funding without dramatically affecting planned expenses or increasing auxiliary fees.

23. Over the past several years, end of year reserve cash balances have ranged from \$137.7 million to \$181.1 million. The reserve balance in 2001-02 was \$153.5 million; however, approximately \$11.9 million was related to encumbrances and advance deposits, resulting in an unencumbered reserve balance of \$141.6 million. The estimated reserve balance for 2002-03 is \$136.7 million. However, of these reserve balance amounts, \$93.0 million is attributable to non-student fee operations, where information on encumbrances and advance deposits is not readily available. As a result, estimated reserve balances overstate the actual level of reserves. In 2001-02 reserve balances accounted for between 10.5% and 31.9% of total revenue, with an overall reserve of approximately 24.9%. In 2002-03, the estimated reserve is projected to be 23.2% of total revenue.

24. The UW System has indicated that they would use existing reserve balances to fund the financial aid rather than increase auxiliary fees if possible during the biennium. Based on 2002-03 projected reserves, the Governor's proposal would draw down the overall auxiliary reserve by 5.9% in 2003-04 and an additional 14.4% in 2004-05. Based on estimated 2004-05 revenue of \$636.0 million, auxiliary reserve balances would be reduced to 17.3% of total revenue under the Governor's proposal.

25. The UW System requires that campuses carefully manage their auxiliary reserve balances and requires that auxiliary operations justify their reserves based on specific needs documented in a multi-year plan and that unexpected windfalls must be either recycled into operations by offsetting rate increases or transferred to other needs in accordance with existing Board of Regents' policy. UW System policy has established a variety of reserve funding requirements to ensure that sufficient funds are available to protect current operations, guarantee debt service obligations, and provide for capital replacements and expansion. Based on current law, reserve accumulations for student fee funded auxiliaries (segregated fees, housing, and food services) that are anticipated to exceed 15% of the prior year's total revenue must be approved by the Secretary of Administration and the Joint Committee on Finance.

26. Based on available data, the short and long-term effect of the Governor's proposal on auxiliary operations is unknown. The proposal, if funded from reserve balances, would draw down reserves from an estimated 23.2% in 2003-04 to a projected 17.3% in 2004-05. With several hundred different auxiliary reserve accounts, the impact on each individual account is difficult to ascertain. Nonetheless, the UW System would likely be able to manage the reduction over time without affecting current operations by postponing capital expenditures, construction, or

maintenance. Individual auxiliary operation balances could be maintained by carrying an overall negative balance in the systemwide auxiliary reserve account and recovering the negative balance over time through additional revenues, if realized, or interest earnings on the remaining auxiliary reserve balance. The UW System has not determined how the proposed auxiliary reserve transfer would be allocated among auxiliary operations and campuses or the impact on operations during this biennium.

27. The accumulated balance in the auxiliary operations appropriation is not a single pot of money but rather the aggregation of relatively small balances held by numerous self-supporting operations across all institutions. In addition, auxiliary reserves vary among campuses and between separate auxiliary operations. If the Committee supports the use of auxiliary funds as recommended by the Governor, it may wish to require a passive review of any proposed allocation of auxiliary enterprise appropriation funding to the financial aid supplement accounts. Such a review could require the Board of Regents to submit a plan to the Secretary of the Department of Administration (DOA) for approval of the proposed allocation by campus and auxiliary reserve account with their annual report for student-fee funded auxiliary reserves in 2003-04 and 2004-05. Once approved by DOA, the plan could be subject to a 14-day passive approval process by the Committee.

28. Under the Governor's proposal, the UW System would be free to choose where auxiliary reserve funds would come from. However, in public testimony on the budget bill, student groups at several campuses have expressed concern over the use of segregated fee funded reserves for financial aid. Students at some campuses have elected to set aside a portion of their segregated fee collections for future projects, such as recreation centers, union remodeling and health facilities. The use of such funds for financial aid would, at a minimum, delay project construction.

29. In addition to student concerns, current statutory requirements for use of segregated fees could legally limit the use of auxiliary reserves from segregated fee funds for financial aid. Under current law, student fees may only be used to support campus student activities. It could be argued that the use of segregated fees for individual need-based aid, while benefiting individual students, does not qualify as support of campus student activities. As a result, the Committee could consider modifying the bill to prohibit the Board of Regents from using auxiliary reserves accumulated in segregated fee accounts for funding financial aid.

30. Equity concerns could be raised with the Governor's proposal to utilize funds from auxiliary operations in that revenue from operations serving certain groups of students, faculty or staff (such as freshmen and sophomores living in dormitories, faculty parking) or certain operations (such as parking, unions, bookstores) are used to the benefit of students receiving financial aid. In addition, auxiliary reserves and their protective firewalls exist to provide a basis for sound fiscal management. The use of long-term resources for current operations contradicts the need to preserve those resources for the purposes for which they were intended. If auxiliary operations are to remain self-supporting, reasonable cash reserves are needed to fund facilities maintenance, equipment replacement, and other long-term needs. However, given current fiscal constraints and the likely need for increased financial aid, it is unlikely that additional GPR funds would be available for increased financial aid in the 2003-05 biennium.



31. According to executive budget staff, the provision to provide supplemental funding for WHEG-UW was intended to be a short-term solution, and that full GPR funding would be restored for the program in future biennium if GPR funding is available. However, the language is permissive for ongoing supplemental funding. Nonetheless, continued reliance on the auxiliary funds in future biennia would cause increases to the auxiliary enterprise fees or reduce reserves significantly and destabilize the self-funding nature of auxiliary enterprises. In order to prevent future use of the auxiliary reserves as supplemental funding for financial aid, the Committee could provide a June 30, 2005 sunset date for the auxiliary reserve-funded supplemental appropriations.

32. Alternatively, the Committee could retain the PR-funded supplemental appropriation for Lawton, WHEG-UW, and AOP in subsequent biennia, and modify the PR appropriations created under the Governor's proposal to be funded by the UW System through a tuition set aside starting in 2005-06. This alternative would use additional tuition revenue, generated through general tuition increases, to provide the financial aid needed to help offset the increase in tuition for low-income students in future biennia without relying on additional GPR or continued reliance on auxiliary operations reserve balances or future auxiliary fee increases. Given the Governor's GPR funding reduction and tuition offset proposal during the 2003-05 biennium for the UW System, it may not be feasible to impose either additional tuition increases or further GPR budget reductions for the UW System to fund the Governor's proposed increases in financial aid for 2003-04 and 2004-05.

33. Based on tuition revenue projections with the Governor's tuition proposal, the UW System would need to set aside an estimated 2.6% of tuition revenue, in order to replace the supplemental financial aid funding provided through the auxiliary enterprises appropriation in 2004-05 for WHEG-UW, Lawton, and AOP. If the Committee chose to fund future financial aid supplemental appropriations through tuition, the WHEG-UW, Lawton, and AOP PR-funded supplemental appropriations would need to be modified starting in 2005-06, to use tuition revenue for the PR supplemental appropriations.

34. Some would argue that tuition funding would provide a more reliable and equitable support for supplemental funding for financial aid than auxiliary enterprise funds if additional GPR is unavailable in future biennia. If funded from tuition revenue, the supplemental funding for both Lawton and WHEG-UW could grow with overall tuition revenue growth, if the Legislature appropriated additional monies. However, since the UW System would be required to transfer a portion of tuition revenue to fund increases in financial aid, there would not be as much additional tuition revenue to use for other educational priorities or cost-to-continue items funded in part through tuition revenues.

**ALTERNATIVES**

**A. WHEG Program for UW Students**

1. Approve the Governor's recommendation to decrease funding for the WHEG-UW program by \$1,093,700 GPR in 2003-04 and \$1,912,800 GPR in 2004-05, and provide \$6,453,700 PR in 2003-04 and \$15,032,800 PR in 2004-05 in supplemental funding through a new annual appropriation funded through transfers from the UW System's auxiliary enterprises appropriation. This would provide net increases of \$5,360,000 in 2003-04 and \$13,120,000 in 2004-05. *(Provides a 24.5% increase in total funding in 2003-04 and 28.5% in 2004-05.)*

2. Modify the Governor's recommendation to delete \$1,276,000 PR in 2003-04 and \$4,940,100 PR in 2004-05, which would provide a net increase of \$4,084,000 in 2003-04 and \$8,179,900 in 2004-05. *(Provides an 18.7% increase in total funding in 2003-04 and 15.8% in 2004-05; reduces use of auxiliary enterprises monies).*

<u>Alternative A2</u>	<u>PR</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$6,216,100

3. Modify the Governor's recommendation to delete \$1,276,000 GPR in 2003-04 and \$4,940,100 GPR in 2004-05, which would provide a net increase of \$4,084,000 in 2003-04 and \$8,179,900 in 2004-05. *(Provides an 18.7% increase in total funding in 2003-04 and 15.8% in 2004-05; reduces use of GPR funding).*

<u>Alternative A3</u>	<u>GPR</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$6,216,100

4. Modify the Governor's recommendation to provide \$1,093,700 GPR in 2003-04 and \$1,912,800 GPR in 2004-05 to restore base funding to \$21,839,600 GPR in both years of the biennium. Delete \$6,453,700 PR in 2003-04 and \$15,032,800 PR in 2004-05, and delete the provisions related to the transfer of auxiliary funding for the WHEG-UW grants. *(Provides level funding for WHEG-UW, entirely from GPR.)*

<u>Alternative A4</u>	<u>GPR</u>	<u>PR</u>	<u>Total</u>
<b>2003-05 FUNDING</b> (Change to Bill)	\$3,006,500	- \$21,486,500	- \$18,480,000

5. Delete provision. This would restore the Governor's proposed GPR reductions of \$1,093,700 in 2003-04 and \$1,912,800 in 2004-05, delete the provisions related to the transfer of auxiliary funding for the WHEG-UW grants, and retain the current law link between the WHEG-UW and the highest prior year increase for resident undergraduate tuition at any UW System

campus. Based on UW System resident undergraduate tuition increases in 2002-03, and the Governor's proposed tuition increase for 2003-04, funding for WHEG-UW would need to increase an estimated \$2,511,600 in 2003-04 (11.5%) over 2002-03 and an estimated \$7,065,300 in 2004-05, which would represent an 18.7% increase in 2004-05 over 2003-04.

<u>Alternative A5</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
<b>2003-05 FUNDING</b> (Change to Bill)	\$12,583,400	- \$21,486,500	- \$8,903,100

## **B. Lawton Grant**

1. Approve the Governor's recommendation to provide \$761,500 PR in 2003-04 and \$1,842,100 PR in 2004-05 in supplemental funding for the Lawton minority undergraduate need-based aid program in a new annual appropriation funded through transfers from the UW System's auxiliary enterprises appropriation. *(Provides a 24.7% increase in 2003-04 and 28.1% in 2004-05.)*

2. Modify the Governor's recommendation to delete \$185,400 PR in 2003-04 and \$688,200 PR in 2004-05, which would provide an increase of net funding equal to \$576,100 in 2003-04 and \$1,153,900 in 2004-05. *(Provides an 18.7% increase in funding in 2003-04 and 15.8% in 2004-05; reduces use of auxiliary enterprises monies.)*

<u>Alternative B2</u>	<u>PR</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$873,600

3. Modify the Governor's recommendation to delete \$185,400 GPR in 2003-04 and \$688,200 GPR in 2004-05, which would provide an increase in net funding equal to \$576,100 in 2003-04 and \$1,153,900 in 2004-05. *(Provides an 18.7% increase in 2003-04 and 15.8% in 2004-05; reduces use of GPR funding.)*

<u>Alternative B3</u>	<u>GPR</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$873,600

4. Modify the Governor's recommendation to delete \$761,500 PR in 2003-04 and \$1,842,100 PR in 2004-05, and delete the provisions related to the transfer of auxiliary funding for Lawton grants. *(Provides level funding for Lawton, entirely from GPR.)*

<u>Alternative B4</u>	<u>PR</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$2,603,600

5. Delete provision. Delete \$761,500 PR in 2003-04 and \$1,842,100 PR in 2004-05, and delete the provisions related to the transfer of auxiliary funding for the Lawton grants. Based on

UW System resident undergraduate tuition increases in 2002-03, and the Governor's proposed tuition increase for 2003-04, funding for Lawton would increase under current law by an estimated \$354,300 GPR in 2003-04 (11.5%) over 2002-03 and an estimated \$996,700 GPR in 2004-05, which would represent an 18.7% increase in 2004-05 over 2003-04.

<u>Alternative B5</u>	<u>GPR</u>	<u>PR</u>	<u>Total</u>
<b>2003-05 FUNDING</b> (Change to Bill)	\$1,351,000	- \$2,603,600	- \$1,252,600

### **C. Advanced Opportunity Program**

1. Approve the Governor's recommendation to provide \$825,000 PR in 2003-04 and \$1,650,000 PR in 2004-05 in supplemental funding for AOP through a new annual appropriation funded through transfers from the UW System's auxiliary enterprises appropriation. (*Provides a 16.8% increase in 2003-04 and 14.4% in 2004-05.*)

2. Delete provision.

<u>Alternative C2</u>	<u>PR</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$2,475,000

### **D. Capped Sum Sufficient Appropriations for WHEG-UW and Lawton Programs**

1. Modify the Governor's recommendation to include the correction requested by the administration to suspend the link between prior year percentage increases in UW System undergraduate tuition and GPR funding for WHEG-UW and Lawton grants until 2005-06.

2. Delete the link between prior year percentage increases in UW System undergraduate tuition and GPR funding for WHEG-UW and Lawton grants. Instead, provide funding for these programs from a biennial sum certain appropriation, rather than a capped sum sufficient appropriation as under current law.

### **E. Passive Review of Allocation of Auxiliary Reserve Reductions**

1. Modify the Governor's recommendation to require the UW System to submit the proposed allocation of the reductions in SB 44 by campus and auxiliary reserve account by September 15 in each year of the 2003-05 biennium for approval by DOA. Once approved, DOA would submit the proposed allocation to the Committee under a 14-day passive review process. If no meeting would be scheduled, the proposed allocation would be approved; if a meeting would be scheduled, the proposed allocation would only take effect as approved, or modified, by the Committee.

2. Maintain current law.

**F. Auxiliary Reserves from Segregated Fee Account**

1. Prohibit the Board of Regents from using monies accumulated in segregated fee accounts for funding financial aid.
2. Maintain current law.

**G. Ongoing Use of Auxiliary Reserves or Tuition Revenues**

1. Approve the Governor's recommendation to provide PR funding from auxiliary reserves in ongoing appropriations.
2. Modify the Governor's recommendation to establish a June 30, 2005, sunset date for the WHEG-UW, Lawton and AOP appropriations of PR funded from UW auxiliary reserves.
3. Modify the Governor's recommendation to establish a June 30, 2005, sunset date for the WHEG-UW, Lawton and AOP appropriations of PR funded from UW auxiliary reserves. Specify that for purposes of the 2005-07 budget, the adjusted base in the GPR appropriations for these programs would be set at a level equal to the total amount of all funds appropriated in 2004-05.
4. Modify the Governor's recommendations to specify that the PR appropriations would be funded from tuition revenues beginning in 2005-06, rather than auxiliary reserves.

Prepared by: John Stott