



Legislative Fiscal Bureau

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

May 17, 2005

Joint Committee on Finance

Paper #441

Tuition Grant Program (HEAB)

[LFB 2005-07 Budget Summary: Page 307, #6]

CURRENT LAW

The tuition grant (TG) program provides need-based financial aid to resident undergraduates who attend private, nonprofit postsecondary institutions in Wisconsin. Students enrolled at least half-time are eligible for grants ranging from \$250 to \$2,500 per year for no more than 10 semesters. Base funding for the program is \$22,103,700.

GOVERNOR

Provide \$370,000 in 2005-06 and \$740,000 in 2006-07 to increase funding for the tuition grant program by approximately 1.7% annually. Total funding would increase from \$22,103,700 in 2004-05 to \$22,473,700 in 2005-06 and \$22,843,700 in 2006-07.

DISCUSSION POINTS

1. The TG program is the second largest state-funded financial aid program. In 2003-04, 10,392 students, or approximately 34% of Wisconsin resident undergraduates attending in-state private colleges, received TG awards. The average award was \$2,092 and represented approximately 11% of the total need-based financial assistance provided to independent college and university students in Wisconsin. In 2003-04, all sources of state-funded financial aid accounted for approximately 12% of all need-based financial aid received by private colleges undergraduates while the federal government provided 48% and institutions provided another 37%.

2. Award amounts for TG recipients are determined using a statutory formula that relies in part on the amount by which the student's tuition exceeds UW-Madison tuition. Each year HEAB approves a formula for distribution of TG funds based on a recommendation from the

Wisconsin Association of Independent Colleges and Universities (WAICU). For 2005-06, HEAB has approved a formula that would increase the maximum TG award from \$2,500 to \$2,700 and increase the minimum award from \$250 to \$500. The increase was recommended by WAICU in order to provide a more meaningful portion of a student's overall financial aid package and provide the most needy students with the greatest share of the program's benefits.

3. Since 2002-03 base funding for the tuition grant program has remained at \$22,103,700. The bill would provide an increase of 1.7% annually, increasing total funding to \$22,473,700 in 2005-06 and \$22,843,700 in 2006-07. Tuition at private colleges has increased an average of 5.3% annually over the past few years. An increase in funding for TG would provide slightly higher grant awards for students under the formula for TG approved for 2005-06 by HEAB. However, the additional funding provided for TG would not be sufficient to offset recent and planned tuition increases for private college students.

4. In past budgets, efforts were made to maintain balance among the three major need-based financial aid programs administered by HEAB, including TG, WHEG-UW, and WHEG-WTCS. Since 2002-03 increases in WHEG-UW have been provided in order to offset UW resident tuition increases, while funding for WHEG-WTCS and TG has not increased. However, funding increases provided for WHEG-UW since 2002-03 were funded through a transfer from the UW System's auxiliary operations.

5. The Governor's proposal for financial aid increases among the three major HEAB administered aid programs includes additional funding beyond the amount necessary to fund the sum-sufficient estimate for the WHEG-UW program in the second year. In order to equalize the increase for the second year of the biennium, and provide additional funds for TG recipients, the Committee could provide an additional \$978,400 GPR for the TG program in 2006-07, which would provide a total increase of \$1,348,400 (6.0%) over funding provided for the program in 2005-06. A 6.0% increase among the three major financial aid programs in 2006-07 would equalize the financial aid increase for students in each sector in that year.

6. Almost all financial aid for a student attending public institutions comes from the state or federal government, and most of the students are Wisconsin residents. Private colleges, however, enroll a greater percentage of nonresident students as a proportion of undergraduate students and draw a greater portion of the financial aid for their students from nongovernmental sources. Opponents of increasing funding for the TG program argue that private colleges could use TG funding to replace some of the private funds that would otherwise be used for financial aid for residents, enabling a college to offer this aid to nonresident students.

ALTERNATIVES

1. Approve the Governor's recommendation to increase funding for the Tuition Grant program by \$370,000 in 2005-06 and \$740,000 in 2006-07.

2. Modify the Governor's recommendation by providing an additional \$978,400 in 2006-07 to increase funding for TG by approximately 6.0%.

<u>Alternative 2</u>	<u>GPR</u>
2005-07 FUNDING (Change to Bill)	\$978,400

3. Delete the provision.

<u>Alternative 3</u>	<u>GPR</u>
2005-07 FUNDING (Change to Bill)	-\$1,110,000

Prepared by: John Stott