



## Legislative Fiscal Bureau

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

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Joint Committee on Finance

Paper #783

### Funding for Lawton and Advanced Opportunity Program (AOP) Grants (UW System)

[LFB 2005-07 Budget Summary: Page 501, #14]

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#### CURRENT LAW

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, Lawton funding increases were linked to the highest prior year increase for resident undergraduate tuition at any UW System institution, and the appropriation was modified from a biennial sum certain to a sum sufficient appropriation in 2003-04. Under 2003 Act 33, the link between prior year percentage increase in UW System undergraduate tuition and GPR funding for Lawton grants was suspended until 2005-06. In 2004-05, the highest UW System resident undergraduate tuition increase was 15.8%. Base funding for the Lawton program is \$3,080,800 GPR with an additional \$1,842,100 PR provided to Lawton program from the UW System auxiliary reserve.

The AOP provides grants to minority and economically disadvantaged graduate students enrolled at UW institutions. Base funding for AOP is \$4,905,900 GPR with an additional \$1,650,000 PR provided from the UW System auxiliary reserve.

#### GOVERNOR

Provide \$2,619,900 GPR in 2005-06 and \$2,956,200 GPR in 2006-07 to replace base funding of \$1,842,100 PR and increase funding for the Lawton program. In addition, delete the PR appropriation that was created for Lawton under 2003 Act 33 to provide funding for Lawton from the UW System's auxiliary enterprise reserves.

Provide \$2,305,600 GPR in 2005-06 and \$2,731,100 GPR in 2006-07 to increase funding for AOP and replace base funding of \$1,650,000 PR provided to AOP from the UW System auxiliary reserve in 2004-05. In addition, delete the PR appropriation that was created for AOP under 2003 Act 33.

## **DISCUSSION POINTS**

### **Lawton Grants**

1. 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 2003-04, 2,707 students received a total of \$3,815,586 averaging \$1,410 per grant. Total funding for this program is \$4,922,900 in 2004-05.

2. The Governor's proposal would provide \$2,619,200 in 2005-06 and \$2,956,200 in 2006-07 to increase funding for the Lawton program and replace base funding of \$1,842,100 PR provided to the Lawton program from the UW System auxiliary reserve. Base GPR funding for the Lawton program is \$3,080,000. Total funding would increase from \$4,922,900 in 2004-05 to \$5,700,700 in 2005-06 (15.8%) and by an additional 5.9% to \$6,037,000 in 2006-07.

3. The Governor's provision reestablishes the link between the Lawton GPR appropriation increase and the highest prior year increase for resident undergraduate tuition at any UW System institution. Under 2001 Act 109, annual funding increases for the Lawton appropriation were to be linked to the highest prior year increase for resident tuition at any UW System institution starting in 2003-04, in the same way as the WHEG-UW program. However, 2003 Act 33 suspended the link until 2005-06.

4. In order to fully reestablish the link between the Lawton program and tuition increases, the Committee could modify the base funding reference for calculating future Lawton GPR sum-sufficient appropriation increases to reflect total funding provided under the Governor's provision in 2005-06 and 2006-07. The current statutory reference for the sum sufficient determination refers to \$3,080,000 GPR funding provided for Lawton in 2003-04 and 2004-05 rather than the total amount of funding provided for the program from GPR and PR during the 2003-05 biennium. If the tuition link is to be maintained, the Committee would need to modify the base funding reference under s. 20.285(4)(dd) to generate the total funding provided for Lawton under the Governor's provision in 2005-06 and 2006-07.

5. In 2004-05, the highest UW System resident undergraduate tuition increase was 15.8%. 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 tuition for 2005-06 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 5.0% to 6.3% in 2005-06 to accommodate

the tuition portion of fuel and utilities funding, standard budget adjustments related to fringe benefit cost increases, and student technology fee included in the Governor's budget. The Governor's budget estimates that the resident tuition would increase by 5.9% in 2005-06 for purposes of determining the sum-sufficient appropriation increase.

6. The tuition increase related to the 2005-07 unclassified and classified pay plan will not be known until the Joint Committee on Employment Relations approves it. For the 2005-07 biennium, it is estimated that for every 1% increase in compensation, tuition would need to increase approximately 0.6% if funded at the traditional GPR/fee split. However, if compensation plan adjustments were to be funded completely through academic fees, it is estimated that for every 1% increase in compensation, tuition would need to increase 1.8%. The Office of State Employment Relations has recommended a 2% increase in 2005-06, followed by a 2% increase in 2006-07 and a further 1% increase effective April 1, 2007. Assuming these recommendations would be approved by the Joint Committee on Employment Relations, it is estimated that tuition would increase by 6.2% in 2005-06 and 7.1% in 2006-07.

7. The total cost to the general fund of the Governor's recommendations relating to Lawton is \$5,576,100 GPR in the 2005-07 biennium, of which \$3,684,200 GPR is attributable to replacing the PR funding in the base year that was drawn from UW auxiliary reserves. In view of the cost of replacing this one-time PR funding in the base year and the significant annual increases in Lawton funding provided in the 2003-05 biennium (24.8% and 28.0%, respectively), the Committee could choose to level-fund the appropriation. Under this alternative, the sum sufficient linkage for the appropriation would be eliminated, and \$1,842,100 GPR of annual funding would be provided for this program. This would maintain base level funding, and would decrease funding from the bill by \$777,800 GPR in 2005-06 and \$1,114,100 GPR in 2006-07.

8. As an alternative to level funding the Lawton appropriation, the mid-point of the administration's estimated annual tuition increases (6%) could be used as the targeted funding increase. Under this alternative, the sum sufficient linkage for the appropriation would be eliminated, and \$2,137,500 GPR in 2005-06 and \$2,450,600 GPR in 2006-07 would be provided to replace the PR funding in the base year and fund 6% annual increases in total funding for the program. This would decrease funding from the bill by \$482,400 GPR in 2005-06 and \$505,600 GPR in 2006-07.

### **AOP Grants**

9. The AOP program provides grants to minority and economically disadvantaged graduate students enrolled at UW institutions. In 2003-04, the most recent year for which data are available, 82% of the grants were provided to minority students. In 2003-04, 536 students received AOP awards totaling \$5,299,711. 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.

10. While there is no statutory link between tuition increases and funding for AOP, under AB 100, total funding for AOP would increase from \$6,555,900 in 2004-05 to \$7,211,500 in

2005-06 (10%) and by an additional 5.9% to \$7,637,000 in 2006-07 to offset 2004-05 resident graduate tuition increases and a potential tuition increase of 6% for graduate students in 2005-06.

11. The total cost to the general fund of the Governor's recommendations relating to AOP is \$5,036,700 GPR in the 2005-07 biennium, of which \$3,300,000 GPR is attributable to replacing the PR funding in the base year that was drawn from UW auxiliary reserves. During the 2003-05 biennium total funding for AOP increased by 16.8% in 2003-04 and 14.4% in 2004-05 while tuition for graduate students increased by approximately 11% and 10% respectively. Given the additional funding provided for AOP in 2003-05, the Committee could choose to level-fund the appropriation. This would maintain base level funding, and would decrease funding from the bill by \$655,600 GPR in 2005-06 and \$1,081,100 GPR in 2006-07.

12. UW System staff has indicated that the percentage increase in tuition for graduate students will likely be less than for undergraduates, since base annual tuition for graduate students is much higher than for undergraduates. As an alternative to level funding AOP, a 4% tuition increase assumption for resident graduate student tuition increases could be used as the targeted funding increase. Under this alternative, funding for the program would increase by \$1,912,200 GPR to \$6,818,100 in 2005-06 and by \$2,184,900 GPR to \$7,090,800 in 2006-07. The increase under this alternative would replace the PR funding in the base year and fund 4% annual increases in total funding for the program. This would decrease funding from the bill by \$393,400 GPR in 2005-06 and \$546,200 GPR in 2006-07.

## ALTERNATIVES

### A. Lawton Grants

1. Approve the Governor's recommendation to increase funding for the Lawton grant program by \$2,619,900 in 2005-06 and \$2,956,200 in 2006-07 and delete the PR appropriation that was created for Lawton under 2003 Act 33. Correct the base funding reference under the Lawton appropriation.

2. Delete \$482,400 in 2005-06 and \$505,600 in 2006-07 and eliminate the Lawton sum sufficient link to UW System resident undergraduate tuition increase; instead, provide this funding in an annual sum certain appropriation. This alternative would provide 6% annual increases in total funding for the program.

<u>Alternative A2</u>	<u>GPR</u>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$988,000

3. Delete \$777,800 in 2005-06 and \$1,114,100 in 2006-07 and eliminate the Lawton sum sufficient link to UW System resident undergraduate tuition increase; instead, provide this funding in an annual sum certain appropriation. This alternative would provide \$4,922,900 GPR annually for the Lawton program, which would maintain base level funding for the program, by

replacing the \$1,842,100 of PR funding in the base with GPR.

<u>Alternative A3</u>	<u>GPR</u>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$1,891,900

**B. AOP Grants**

1. Approve the Governor's recommendation to provide \$2,305,600 in 2005-06 and \$2,731,100 in 2006-07 and delete the PR appropriation that was created for AOP under 2003 Act 33.

2. Delete \$393,400 in 2005-06 and \$546,200 in 2006-07 to provide a 4% annual increase in total funding for this program.

<u>Alternative B2</u>	<u>GPR</u>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$939,600

3. Delete \$655,600 in 2005-06 and \$1,081,100 in 2006-07 to maintain base level funding for the program of \$6,555,900 GPR by replacing the \$1,650,000 of PR funding in the base with GPR.

<u>Alternative B3</u>	<u>GPR</u>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$1,736,700

Prepared by: John Stott