



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #785

Eliminate Certain Nonresident Tuition Remission Limits (UW System)

[LFB 2005-07 Budget Summary: Page 504, #25]

CURRENT LAW

The Board of Regents of the UW System may offer to remit the nonresident portion of tuition for different categories of students. Current law limits the number of remissions for certain categories of students. These students, who then pay resident tuition, include: (a) needy and worthy students on the basis of merit--not to exceed an amount equal to full remissions for 8% of the number of nonresident students registered at that institution in the preceding year; (b) up to an additional 2% of nonresident students as in "(a)" who are deserving of relief due to extraordinary circumstances; and (c) a number of worthy and needy foreign students or U.S. citizens whose residence is not in the U.S., not to exceed 2% of a campus FTE enrollment for the preceding academic year. In 2003-04, 2,550 students received these remissions valued at \$17.4 million.

The value of the aggregate amount of nonresident remissions of tuition and fees for any fiscal year for UW System institutions may not exceed the value of nonresident remissions charged at the time of the UW System merger adjusted for proportional increases in tuition charges since 1976-77.

The Board of Regents can also establish differing tuition rates for nonresident students for special initiatives. These rates are not subject to the limits on remissions since they are unique tuition rates, distinct from the standard nonresident rates. The Regents have done this for the Platteville tri-state initiative as well as the return to Wisconsin initiative.

GOVERNOR

Eliminate current law limits on the number of nonresident tuition remissions that the Board of Regents can award for needy and worthy students, extraordinary students, and certain foreign students.

DISCUSSION POINTS

1. Excluding Minnesota students enrolled under the Minnesota-Wisconsin reciprocity agreement, approximately 17,395 (10.8%) students in the fall of 2003 were classified as nonresident for tuition purposes. UW-Madison has the highest proportion of non-Minnesota compact, non-resident students with 30.3%; aside from Minnesota students, out-of-state students do not comprise a significant share of student bodies at the other campuses.

2. Systemwide, although non-Minnesota nonresidents comprise 10.8% of the student population, they contribute 33.3% of the tuition revenues. The relative importance of out-of-state students to the tuition revenue pool is significant and has been used as a source of additional revenue in several of the past budgets. Among their peer institutions, UW-Madison's nonresident undergraduate tuition and fees rank third highest at \$19,862, UW-Milwaukee's nonresident undergraduate tuition and fees are second highest at \$18,583, while the comprehensive campuses' average is fifth highest.

3. In 2004-05, most undergraduate nonresident students pay between 140% and 204% of their instructional costs, thus subsidizing resident undergraduate students who pay between 41% and 59% of their instructional cost. Many nonresident graduate students also subsidize resident graduate students with nonresident graduate students paying between 61% and 167% of their instructional costs, while resident graduate students paid between 21% and 56% of their costs.

4. In order to mitigate the higher tuition cost for nonresident students, campuses are permitted to grant tuition remissions to certain nonresident graduate and undergraduate students. Under most remission programs, nonresident students pay an amount between the resident tuition fee and the full Wisconsin non-resident tuition. There are currently 10 nonresident remission classifications with the total amount remitted for each remission program on a campus subject to a value ceiling. The tuition remission ceiling has risen automatically in proportion to changes in UW System nonresident tuition since the 1976-77 academic year.

5. The current statutory ceiling for nonresident remissions is approximately \$63.0 million; however, the Regents may provide additional remissions provided they are funded through federal or gift funds. In 2003-04, approximately 11,550 nonresident students received remissions valued at \$81.2 million with \$19.7 million reimbursed from federal funds. The federal fund reimbursements offset a portion of the \$60.7 million in remissions that were provided to approximately 8,500 nonresident graduate assistants. In addition to graduate assistant remissions, campuses also provided \$3.1 million for 500 remissions related to athletic scholarships, and \$17.4 million to 2,550 nonresident students for the Regents needy 8%, Regents extraordinary 2%, and foreign student remission programs.

6. Most of the nonresident undergraduate students receiving nonresident tuition remissions in 2003-04 received a remission through the Regents needy 8%, Regents extraordinary 2%, and foreign student remission programs. According to UW System staff, these remission programs are important tools for campuses in recruiting out-of-state students, particularly for comprehensive campuses. The programs help campuses attract highly qualified students, and assist campuses in managing the overall enrollment mix of students.

7. The proposed change in AB 100 was requested by the Board of Regents as part of their 2005-07 agency budget request. The UW System requested that the restrictions on the disbursement of specific remissions within the three needy and worthy categories be eliminated without altering the overall remission value limit. Elimination of these restrictions would permit campuses to award remissions within the total remission ceiling limits for the three needy and worthy categories as they see fit and utilize the awards to reach enrollment goals set forth for each campus. For example, in 2003-04 UW-Parkside provided nonresident tuition remissions to 167 students with a total value of \$1,223,028; under current law these awards were allocated as follows: Regents 8%--26 students with a value of \$182,688; Regents 2%--69 students with a value of \$400,719; and foreign students--72 students with a value of \$639,621. Under this provision, UW-Parkside could choose to provide more awards under the Regents 8% program and reduce the value of awards available to foreign students by the same amount.

8. The value limits for each individual remission category were established prior to merger between Wisconsin State University and University of Wisconsin institutions in order to provide legislative oversight of nonresident remissions. At the time of their implementation, institutional funding was provided based on an accepted enrollment funding formula, and the Legislature had a fiscal interest in limiting the increase in the number of nonresident students to limit the basis for new funding requests based on expanded nonresident enrollment. The enrollment funding formula approach was abandoned in the early 1980's; thus one could argue that the need for restricting the number of students within these three remission categories is no longer necessary.

9. Revenues from increases in nonresident tuition have been used to replace forgone tuition revenues when limits have been placed on increases in resident undergraduate tuition. It may be desirable to retain current restrictions on the number of nonresident tuition remissions that can be offered by the Board of Regents within the current remission categories. However, the overall aggregate limit on the value of tuition remissions would be retained under AB 100.

ALTERNATIVES

1. Approve the Governor's recommendation.
2. Delete the provision.

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