



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #460

Wisconsin Higher Education Grants and Tuition Grants (HEAB)

Bill Agency

[LFB 2007-09 Budget Summary: Pages 349 and 351, #2, 5, & 6]

CURRENT LAW

The Wisconsin higher education grant (WHEG) program provides need-based grants to resident undergraduates enrolled in UW System institutions, Wisconsin Technical College System (WTCS) institutions, and tribal colleges. Students enrolled at least half-time are eligible for grants ranging from \$250 to \$3,000 per year for a maximum of 10 consecutive semesters. Funding for WHEG awards is provided in three separate appropriations within HEAB: a GPR appropriation for UW students; a GPR appropriation for WTCS students; and a PR appropriation for tribal college students. Under current law, the WHEG-UW appropriation is a sum sufficient appropriation that is linked to the average increase in resident undergraduate tuition in the UW System. Both WHEG-TCS and WHEG-tribal colleges are sum certain appropriations.

The tuition grant (TG) program provides need-based grants to resident undergraduates enrolled at least half-time in private, nonprofit post-secondary institutions in the state. Students are eligible for grants of \$250 or more for a maximum of 10 consecutive semesters. The minimum grant award is set by statute; the maximum is determined by HEAB. In 2006-07, the maximum TG award amount is \$2,900.

GOVERNOR

Provide \$10,719,400 GPR in 2007-08 and \$15,719,400 GPR in 2008-09 over the 2006-07 base level funding of \$39,280,600 GPR to increase funding for WHEG-UW. The Governor's budget would suspend the statutory link between WHEG-UW increases and the average percentage increase in resident undergraduate tuition at UW System institutions until February 1,

2009. In addition, modify the statutory base funding reference for calculating future WHEG-UW appropriation increases to reflect total funding provided under the Governor's provision in 2007-08 and 2008-09.

Provide \$417,800 GPR in 2007-08 and \$835,600 GPR in 2008-09 to increase funding for WHEG-TCS by 2.5% in 2007-08 and 2.4% in 2008-09. Total funding would increase from \$16,712,400 GPR in 2006-07 to \$17,130,200 GPR in 2007-08 and \$17,548,000 GPR in 2008-09.

Provide \$620,900 GPR in 2007-08 and \$1,241,800 GPR in 2008-09 to increase funding for the TG program by 2.5% in 2007-08 and 2.4% in 2008-09. Total funding would increase from \$24,835,700 GPR in 2006-07 to \$25,456,600 GPR in 2007-08 and \$26,077,500 GPR in 2008-09.

DISCUSSION POINTS

1. The WHEG-UW, WHEG-TCS, and TG programs are the largest source of state-funded need-based grants for resident undergraduate students enrolled at UW System institutions, WTCS institutions, and private colleges. In 2005-06, expenditures for these three programs represented 87% of all HEAB spending and 93% of all GPR-supported need-based financial aid expenditures.

2. In 2005-06, the most recent year for which data is available, 24,345 UW students received WHEG grants averaging \$1,684; 24,211 WTCS students received WHEG grants averaging \$652; and 10,810 private college students received TG grants averaging \$2,358. In that year, average annual tuition at UW System institutions was \$4,536, annual tuition at WTCS institutions was \$2,415 for students enrolled in post-secondary and vocational-adult programs and \$3,273 for students enrolled in collegiate transfer programs, and average annual tuition at Wisconsin Association of Independent Colleges and Universities (WAICU) member institutions, which are 20 of the 24 private institutions enrolling TG recipients, was approximately \$19,800.

3. Qualifying students may receive need-based financial aid in the form of grants, loans, and work-study from a number of different sources. For both UW System students and WTCS students, federal and state aid represent the majority of all need-based financial aid awarded. For UW System students, 82.1% of financial aid is federally-funded and 13.7% is state-funded. For WTCS students, 84.9% of financial aid is federally-funded and 14.6% is state-funded. While federally- and state-funded financial aid make up the majority of need-based financial provided to private college students, these students also receive a significant amount of aid that is funded by the institution which they attend. For private college students, 49.2% of financial aid is federally-funded, 33.8% is funded by the institution, and 14.0% is state-funded.

4. The WHEG and TG programs provide students with grants that do not need to be repaid. Much of the financial aid provided to students by the federal government comes in the form of repayable loans. For this reason, when only grant aid is considered, the state provides a greater percentage of student financial aid. For UW System students, 60.7% of all grant aid is federally-

funded while 36.0% is state-funded. For WTCS students, 74.4% of all grant aid is federally-funded and 24.7% is state-funded. For private college students, 53.4% of all grant aid is funded by the institution, 19.5% is federally-funded, and 22.6% is state-funded.

5. A student's expected family contribution (EFC) is a measure of his or her financial need. EFC is calculated by the federal government using the information provided by the student on his or her free application for federal student aid (FAFSA). EFC is used to determine eligibility for and the amount awarded by federal need-based financial aid programs. HEAB uses EFC as the basis for determining a student's award amount under the WHEG-UW, WHEG-TCS, and TG programs. For students receiving any amount of need-based financial aid, average EFC is \$4,460 for UW System students, \$2,930 for WTCS students, and \$9,710 for private college students. In other words, on average, students attending WTCS institutions have the lowest ability to contribute while students attending private colleges have the greatest ability to contribute.

6. Unmet need is the difference between the total cost of attendance, which may include tuition, room, board, and other expenses, and the sum of the student's expected family contribution and awarded need-based aid. In 2005-06, UW System students receiving need-based financial aid had an average unmet need of \$2,914, WTCS students receiving need-based financial aid had an unmet need of \$4,022, and private colleges students receiving need-based financial aid had an average unmet need of \$4,581. As a percentage of the total cost of attendance, unmet need was 21.5% for UW students, 38.5% for WTCS students, and 19.7% for private college students.

WHEG-UW

7. A partial veto of 2005 Act 25 provided an additional \$8,000,000 GPR for WHEG-UW in 2005-06. As a result, the appropriation schedule shows \$45,057,200 GPR in funding for WHEG-UW in 2005-06 and \$39,280,600 GPR in 2006-07. HEAB was able to carry forward \$4,064,684 in funding for WHEG-UW from 2005-06 to 2006-07 through advance commitments. As a result, the total available funding for the WHEG-UW program in 2006-07 is \$43,345,300. The 2006-07 available funding level is used for comparison in calculating the percentage increases for 2007-09 under the WHEG-UW program.

8. In 2005-06 and 2006-07, the average increase in resident undergraduate tuition in the UW System was 6.8%. Increases in tuition for the 2007-08 and 2008-09 academic years are not yet known; actual tuition rates are determined by the Board of Regents annually in July. Increases in UW tuition depend largely on the level of funding provided for the University in the state's budget and on the amount and funding source for salary increases provided in the state's compensation plan.

9. Under SB 40, tuition revenues would increase by \$20,286,100 PR in 2007-08 and by \$31,766,600 PR in 2008-09. These figures exclude the proposed increase in tuition at the La Crosse campus in 2008-09. According to the Board of Regents, a 1% increase in resident undergraduate tuition would yield an additional \$6 million in tuition revenues. Using this rule of thumb, resident undergraduate tuition would increase by 3.4% in 2007-08 and 1.9% in 2008-09 under SB 40. This

excludes any tuition increase resulting from the 2007-09 compensation plan.

10. In December, 2006, the Board of Regents submitted a request to the Office of State Employment Relations (OSER) for compensation increases of 5.23% for all unclassified staff in each year of the biennium to be funded solely by GPR. If this request is approved, tuition would not be increased to fund pay plan increases. However, if OSER provides that these increases should be granted and funded through the traditional GPR/fee split, resident undergraduate tuition would increase by 2.6% in each year of the biennium. The Board of Regents request does not include a pay plan recommendation for the UW System's classified positions. A pay plan which includes an increase in compensation for these employees would also have the effect of raising tuition.

11. By statute, increases in funding for the WHEG-UW program are linked the average increase in resident undergraduate tuition at UW System institutions. As future tuition increases are not yet known, prior tuition increases could be used as the basis for setting the appropriation amounts in the 2007-09 biennium. Resident undergraduate tuition increased by an average of 6.8% in each year of the 2005-07 biennium. As an alternative to SB 40 funding levels, the Committee could provide annual 6.8% increases to WHEG-UW funding, which would equal the annual percent increases in tuition in 2005-07. This would allow HEAB to maintain the number of WHEG-UW awards while increasing the average award amount by 6.8% in each year, commensurate with past tuition increases. Under this alternative, WHEG-UW funding would increase by \$7,012,200 GPR in 2007-08 and by \$10,160,100 GPR in 2008-09 as changes to the base. This alternative would provide \$3,707,200 less in 2007-08 and \$5,559,300 less in 2008-09 than is provided in SB 40 for WHEG-UW.

12. Under SB 40, the link between WHEG-UW funding and average tuition increases at UW System institutions would be suspended to permit WHEG-UW funding to increase by a greater amount. Based on the available data, the increase in funding for WHEG-UW provided in SB 40 would allow HEAB to grant awards to approximately 2,000 additional students in 2007-08 and 2,700 additional students in 2008-09. These estimates assume that the average WHEG-UW award increased by the same amount as the available funding in 2006-07 and that the average WHEG-UW award would increase by 6.8% in each year of the biennium.

13. By statute, the WHEG-UW appropriation is a sum sufficient linked to the average increase in tuition at UW System institutions. If the Committee deletes the funding provided for WHEG-UW in SB 40, WHEG-UW funding as shown in the 2006-07 appropriation schedule will increase by the same percent as average tuition charged at UW System institutions, which for purposes of this estimate is assumed to be 6.8% in each year of the biennium based on annual tuition increases in the 2005-07 biennium. Under this alternative, WHEG-UW funding would be calculated using the actual amount of \$39,280,600 in the appropriation for 2006-07, which would result in increases of \$2,671,100 GPR in 2007-08 and \$5,523,800 GPR in 2008-09 as changes to the base. This alternative would provide \$8,048,300 less in 2007-08 and \$10,195,600 less in 2008-09 than is provided in SB 40 for WHEG-UW.

WHEG-TCS and TG

14. In late March, the WTCS Board announced that tuition will increase by 5.8% systemwide in 2007-08. At this point, WAICU is not yet able to provide an estimate of how much tuition will increase in 2007-08. However, tuition at WAICU member institutions increased by an average of 5.4% annually over the past four years. As an alternative to SB 40 funding levels, the Committee could provide annual percent increases to WHEG-TCS equal to the tuition increase planned for 2007-08 and TG funding equal to past annual percent increases in tuition. This alternative would increase funding for WHEG-TCS by \$969,300 GPR in 2007-08 and by \$1,994,900 GPR in 2008-09. It would increase funding for TG by \$1,341,100 GPR in 2007-08 and \$2,754,700 GPR in 2008-09. This alternative would provide \$551,500 more in 2007-08 and \$1,159,300 more in 2008-09 for WHEG-TCS and \$720,200 more in 2007-08 and \$1,512,800 more in 2008-09 for TG than is provided for these programs in SB 40.

15. Under SB 40, available funding for WHEG-UW would be increased by 15.4% in 2007-08 and by 10% in 2008-09. Funding for WHEG-TCS and TG would be increased by 2.5% in 2007-08 and 2.4% in 2008-09. As an alternative to SB 40, the Committee could provide the same percentage increases to each of the three programs.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation. This would increase available WHEG-UW funding by 15.4% in 2007-08 and 10% in 2008-09. Funding for WHEG-WTCS and TG would increase by 2.5% in 2007-08 and 2.4% in 2008-09.

ALT 1	Change to Bill Funding	Change to Base Funding
GPR	\$0	\$29,554,900

2. Modify the Governor's recommendation to decrease funding for WHEG-UW by \$3,707,200 in 2007-08 and \$5,559,300 in 2008-09. This would provide a 6.8% increase in WHEG-UW funding in each year of the biennium. Suspend the statutory link between WHEG-UW and the average tuition increase in the UW System for the 2007-09 biennium.

ALT 2	Change to Bill Funding	Change to Base Funding
GPR	-\$9,266,500	\$20,288,400

3. Modify the Governor's recommendation to decrease funding for WHEG-UW by \$3,707,200 in 2007-08 and \$5,559,300 in 2008-09. This would provide a 6.8% increase in WHEG-

UW funding in each year of the biennium. Suspend the statutory link between WHEG-UW and the average tuition increase in the UW System. Increase funding for WHEG-TCS by \$551,500 in 2007-08 and \$1,159,200 in 2008-09, which would provide 5.8% annual increases in WHEG-TCS funding. Increase funding for TG by \$720,200 in 2007-08 and \$1,512,800 in 2008-09, which would provide 5.4% annual increases in TG funding. This alternative would provide increases in funding for the WHEG-UW, WHEG-TCS, and TG programs based on recent tuition increases at UW System institutions, WTCS institutions, and WAICU member institutions.

ALT 3	Change to Bill Funding	Change to Base Funding
GPR	-\$5,322,800	\$24,232,100

4. Provide the same annual percentage increases to available base level funding for each program under the following alternatives:

Annual GPR % Increases	GPR Change to Bill			GPR Change to Base		
	2007-08	2008-09	2007-09	2007-08	2008-09	2007-09
a. 2%/2%	-\$5,995,500	-\$10,302,400	-\$16,297,900	\$5,762,600	\$7,494,400	\$13,257,000
b. 3%/3%	-5,146,600	-8,562,100	-13,708,700	6,611,500	9,234,700	15,846,200
c. 4%/4%	-4,297,700	-6,804,800	-11,102,500	7,460,400	10,992,000	18,452,400
d. 5%/5%	-3,448,700	-5,030,500	-8,479,200	8,309,400	12,766,300	21,075,700
e. 6%/6%	-2,599,900	-3,239,400	-5,839,300	9,158,200	14,557,400	23,715,600
f. 7%/7%	-1,750,800	-1,430,900	-3,181,700	10,007,300	16,365,900	26,373,200
g. 8%/8%	-901,900	394,200	-507,700	10,856,200	18,191,000	29,047,200

5. Delete provision. In this case, under the current law capped sum sufficient appropriation, funding for the WHEG-UW program would increase by an estimated \$2,671,100 in 2007-08 and \$5,523,800 in 2008-09 from the adjusted base level of \$39,280,600, which would represent decreased funding for the WHEG-UW, WHEC-TCS and TG programs of -\$9,087,000 in 2007-08 and -\$12,273,000 in 2008-09 from the bill.

ALT 5	Change to Bill Funding	Change to Base Funding
GPR	-\$21,360,000	\$8,194,900

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