



## Legislative Fiscal Bureau

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

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June 5, 2007

Joint Committee on Finance

Paper #825

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

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 574, #11]

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#### **CURRENT LAW**

The Lawton Grant provides financial assistance to minority undergraduate students enrolled in the UW System who demonstrate financial need. Sophomores, juniors, and seniors who are enrolled for at least six credits are eligible for up to four years of support and an annual maximum grant of \$2,500. By statute, the appropriation for Lawton is a sum sufficient with increases linked to the average increase in resident undergraduate tuition in the UW System. This link was suspended during the 2005-07 biennium when the Legislature provided 6% increases in each year. Average annual tuition increases for resident undergraduates in the UW System were 6.9% in 2005-06 and 6.8% in 2006-07. Annual base GPR funding for the Lawton program is \$5,531,400.

The AOP provides grants to minority and economically disadvantaged graduate students enrolled at UW System institutions. Annual base GPR funding for AOP is \$7,090,800.

#### **GOVERNOR**

Provide \$376,100 GPR in 2007-08 and \$644,400 GPR in 2008-09 to increase funding for the Lawton grant program. Funding for Lawton would increase by 6.80% in 2007-08 and by an additional 4.54% in 2008-09.

Provide \$362,300 GPR in 2007-08 and \$708,700 GPR in 2008-09 to increase funding for the Advanced Opportunity Program (AOP). Funding for AOP would increase by 5.11% in 2007-08 and by an additional 4.65% in 2008-09.

## **DISCUSSION POINTS**

### **Lawton Grants**

1. The Lawton grant program provides need-based grants to minority undergraduate students who are enrolled in the UW System as sophomores, juniors, and seniors. Since freshmen are not eligible for Lawton grants, this is a retention, not a recruitment, program. In 2005-06, 3,121 students received a total of \$5,237,391 under the Lawton program; the average grant was \$1,678.

2. SB 40 reestablishes the existing statutory link between the Lawton appropriation increase and the average increase in resident undergraduate tuition in the UW System. For purposes of establishing funding levels in SB 40, the administration used increases of 6.80% in 2007-08 and 4.54% in 2008-09. The 6.8% increase in the first year is equal to the actual average tuition increase in 2006-07. As this appropriation is sum sufficient, actual expenditures would be determined by the actual average increase in resident undergraduate tuition in each year.

3. The link between the Lawton appropriation and the percentage increase in resident undergraduate tuition has been suspended in each biennium since it was established. The link was established by 2001 Act 109, which provided that Lawton funding should be a sum sufficient appropriation linked to the highest increase in resident undergraduate tuition in the UW System beginning in 2003-04. However, under 2003 Act 33, the link was suspended and GPR support for Lawton remained at its 2002-03 level during the 2003-05 biennium. In that biennium, increases in expenditures for Lawton were funded by a transfer of program revenue funding from the UW System's auxiliary enterprises appropriation. Under 2005 Act 25, the PR appropriation for the Lawton was deleted and replaced with GPR funds and 6% increases in total funding were provided in each year of the 2005-07 biennium. In addition, 2005 Act 25 modified the sum sufficient link such that increases in Lawton funding are linked to the average increase in resident undergraduate tuition, rather than the highest increase as under 2001 Act 109.

4. In 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.

5. 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.

6. 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 funded through the traditional GPR/fee split, resident undergraduate tuition would increase by an additional 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.

7. The Lawton program is similar to two need-based financial aid programs administered by the Higher Educational Aids Board (HEAB): the Wisconsin higher education grant program for UW System students (WHEG-UW) and the minority undergraduate retention grant (MURG). The WHEG-UW program is similar to the Lawton program as it provides need-based grants to undergraduates enrolled in the UW System. WHEG-UW is also funded through a sum sufficient appropriation which is statutorily linked to the average increase in resident undergraduate tuition in the UW System. The MURG program is similar to the Lawton program as it provides need-based grants to minority undergraduate students who are enrolled in Wisconsin technical colleges, tribal colleges, and private, non-profit, postsecondary institutions located in the state.

8. Although the Lawton, WHEG-UW, and MURG programs are similar, SB 40 would provide different percentage increases for each these programs in each year of the budget. SB 40 would provide increases of 6.80% in 2007-08 and 4.54% in 2008-09 for the Lawton program, of 15.35% in 2007-08 and 10.00% in 2008-09 based on the 2006-07 available funding for WHEG-UW, and of 2.5% and 2.4% for the MURG program. As an alternative to SB 40, the Committee could provide percentage increases for the Lawton program equal to the percentage increase for the WHEG-UW and MURG programs. This would require the Committee to suspend the link between Lawton program funding and the average increase in resident undergraduate tuition.

### **AOP Grants**

9. The AOP program provides grants to minority and economically disadvantaged graduate students enrolled at UW System institutions. In 2005-06, the most recent year for which data is available, 83% of the grants were provided to minority students. In that year, 568 students received AOP awards totaling \$6,086,975. The UW treats AOP as a fellowship, rather than a grant program, making AOP recipients eligible for fringe benefits, such as health insurance. The AOP program is the only state-funded program that provides need-based grants to graduate students.

10. SB 40 provides percentage increases in funding for the AOP program based on the administration's estimates of increases in resident graduate tuition in the 2007-09 biennium. SB 40 provides increases for the AOP program of 5.11% in 2007-08 and 4.65% in 2008-09. The average increase in resident graduate tuition was 5.11% in 2006-07.

11. There is no statutory link between AOP funding and increases in resident graduate tuition. As an alternative to SB 40, the Committee could provide different percentage increases in funding for the AOP program.

**ALTERNATIVES TO BILL**

**A. Lawton Grants**

1. Approve the Governor's recommendation. This would allow the current law sum sufficient link between Lawton funding and average increases in resident undergraduate tuition to apply beginning in 2007-08. Actual expenditures would be determined by the actual average increase in resident undergraduate tuition.

<b>ALT A1</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
GPR	\$0	\$1,020,500

2. Modify SB 40 to suspend the sum sufficient link between the Lawton funding and the average increase in resident undergraduate tuition at the UW System. Provide the same annual percentage increases under the following alternatives:

<u>Annual GPR % Increases</u>	<u>GPR Change to Bill</u>			<u>GPR Change to Base</u>		
	<u>2007-08</u>	<u>2008-09</u>	<u>2007-09</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2007-09</u>
a. 2% / 2%	-\$265,500	-\$420,900	-\$686,400	\$110,600	\$223,500	\$334,100
b. 3% / 3%	-210,200	-307,500	-517,700	165,900	336,900	502,800
c. 4% / 4%	-154,800	-193,000	-347,800	221,300	451,400	672,700
d. 5% / 5%	-99,500	-77,400	-176,900	276,600	567,000	843,600
e. 6% / 6%	-44,200	39,300	-4,900	331,900	683,700	1,015,600
f. 7% / 7%	11,100	157,100	168,200	387,200	801,500	1,188,700
g. 8% / 8%	66,400	276,000	342,400	442,500	920,400	1,362,900

3. Modify current law to delete the sum sufficient link between Lawton funding and the average increase in resident undergraduate tuition. This would maintain annual base level funding of \$5,531,400.

<b>ALT A3</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
GPR	-\$1,020,500	\$0

**B. AOP Grants**

1. Approve the Governor's recommendation. This would provide program funding increases of 5.11% in 2007-08 and 4.65% in 2008-09.

<b>ALT B1</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
GPR	\$0	\$1,071,000

2. Modify SB 40 to provide the same annual percentage increases under the following alternatives:

<u>Annual GPR % Increases</u>	<u>GPR Change to Bill</u>			<u>GPR Change to Base</u>		
	<u>2007-08</u>	<u>2008-09</u>	<u>2007-09</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2007-09</u>
a. 2% / 2%	-\$220,500	-\$422,200	-\$642,700	\$141,800	\$286,500	\$428,300
b. 3% / 3%	-149,600	-276,900	-426,500	212,700	413,800	644,500
c. 4% / 4%	-78,700	-130,100	-208,800	283,600	578,600	862,200
d. 5% / 5%	-7,800	18,100	10,300	354,500	726,800	1,081,300
e. 6% / 6%	63,100	167,700	230,800	425,400	876,400	1,301,800
f. 7% / 7%	134,100	318,800	452,900	496,400	1,027,500	1,523,900
g. 8% / 8%	205,000	471,200	676,200	567,300	1,179,900	1,747,200

3. Delete provision. This would maintain annual base level funding of \$7,090,800.

<b>ALT B3</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
GPR	-\$1,071,000	\$0

Prepared by: Emily Pope