



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #467

Wisconsin Covenant (HEAB)

[LFB 2009-11 Budget Summary: Page 400, #9 & #10]

CURRENT LAW

The Wisconsin covenant scholars grants program will provide, beginning in the 2011-12 academic year, grants to eligible resident students. To be eligible, a student must be enrolled at least half-time and registered as a freshman, sophomore, junior, or senior at a public or private nonprofit, accredited institution of higher education or in a tribally-controlled college in this state. The grant amount will be determined by the Higher Educational Aids Board (HEAB).

Current law requires that by February 1 of each year the UW Board of Regents, the Wisconsin Technical College System Board, and each tribally-controlled college in this state provide HEAB with resident undergraduate tuition information for the current academic year for each UW System institution and resident undergraduate tuition and fees information for each Wisconsin technical college and tribally-controlled college in this state. In addition, by April 1 of each year, HEAB must determine the average resident undergraduate tuition charged during the current academic year at all UW System institutions, and the average tuition and fees charged at all technical colleges and all of the tribally-controlled colleges in this state.

HEAB is required to promulgate rules to implement the Wisconsin covenant scholars grant program, including rules establishing a reporting system to periodically provide student economic data and any other rules the Board considers necessary to assure the uniform administration of the grants program. These rules were required to be submitted by April 1, 2009, but because of the AB 75 proposal to shift rulemaking to the Department of Administration, no rules have been promulgated to date.

GOVERNOR

Specify that the Office of the Wisconsin Covenant Scholars Program (OWCSP) in the

Department of the Administration (DOA) would assist the Higher Educational Aids Board (HEAB) in the administration of the Wisconsin covenant grant program. Modify grant eligibility such that only students who have been designated as Wisconsin covenant scholars by OWCSF would be eligible for grants. Specify that this requirement would first apply to students who enroll in public or private, nonprofit, accredited, institutions of higher education or in a tribally-controlled college in this state in the 2011-12 academic year.

Specify that required information about tuition be submitted to OWCSF, rather than HEAB. Require OWCSF, rather than HEAB to determine average tuition rates.

Require that the Department of Public Instruction (DPI), to the extent permitted under federal law, to provide pupil information to OWCSF as necessary for the office to fulfill its role in the administration of the Wisconsin covenant scholars grant program.

Require DOA, instead of HEAB as under current law, to promulgate rules to implement the Wisconsin covenant scholars grant program, including rules establishing criteria for designation as a Wisconsin covenant scholar by OWCSF.

Provide \$25,000,000 GPR in 2010-11 for Wisconsin covenant scholars grants in an annual appropriation created for this purpose in 2007 Act 20, but without funding. Increase estimated GPR-lapses in 2010-11 by \$25,000,000, since this funding would not be expended in 2010-11.

DISCUSSION POINTS

Background

1. The Wisconsin covenant program was first introduced by Governor Doyle in January, 2006. The program was formalized in September, 2006, by a memorandum of understanding (MOU) that was signed by the Governor, the Superintendent of Public Instruction, and the presidents of the UW System, the Wisconsin Technical College System, and the Wisconsin Association for Independent Colleges and Universities (WAICU). According to that MOU, the goals of the Wisconsin Covenant are to: (1) promote access to higher education by ensuring that all students who successfully participate in the program are guaranteed a place in higher education in the state; (2) promote success in higher education by promoting high standards and encouraging students to take courses that prepare them for higher education; and (3) promote the affordability of higher education by ensuring that all students who successfully complete the program can afford tuition and fees.

2. Beginning in the spring of 2007, Wisconsin resident students enrolled in the eighth grade have been invited to sign the Wisconsin covenant pledge. By signing the covenant pledge, the student is promising to: (1) graduate from a Wisconsin high school; (2) maintain at least a B average while in high school; (3) take classes that will prepare the student for postsecondary coursework; (4) demonstrate good citizenship and engage in activities that support the community; (5) apply for state and federal financial aid in a timely manner; and (6) apply and do all that is necessary to gain admission to a UW System institution, a Wisconsin technical college, or a private

college or university located in the state. If the student successfully fulfills these promises, he or she can expect: (1) recognition as a Wisconsin covenant scholar; (2) a place in a UW System institution, a Wisconsin technical college, or a private college or university located in Wisconsin; and (3) a financial aid package based on his or her family's federally-defined financial aid. In addition, those signing the pledge can expect support from the "Wisconsin covenant community" while in high school. As of December, 2008, 35,200 students had signed the Wisconsin covenant pledge including 17,000 expected members of the class of 2011 and 18,200 expected members of the class of 2012.

3. Under 2007 Act 20, the OWCSF serves as the state's liaison between the Higher Educational Aids Board (HEAB), the Department of Public Instruction (DPI), the University of Wisconsin System, the Wisconsin technical college system (WTCS), and other public and private organizations that are interested in the promotion of postsecondary education in this state. In addition, the Office is to coordinate and prevent duplication of effort in the postsecondary promotional activities of these agencies and organizations as well as the Wisconsin Covenant Foundation, Incorporated (WCFI). OWCSF is also directed by statute to contract with WCFI to establish and implement a campaign to promote attendance at nonprofit postsecondary institutions in this state when deemed appropriate by the DOA Secretary.

4. The Wisconsin Covenant Foundation is a nonprofit corporation governed by a board of directors. The Foundation's primary purpose is to raise funds to be used to provide financial aid for Wisconsin covenant participants who have demonstrated financial need. In November, 2007, the Great Lakes Higher Education Corporation and Affiliates, which originates, guarantees, and service loans made to students enrolled in Wisconsin postsecondary institutions, pledged \$40 million to endow the Wisconsin Covenant Foundation. These funds are to be used to provide financial support for low-income students who fulfill the Wisconsin covenant pledge.

5. The Fund for Wisconsin Scholars provides need-based grants to students who have graduated from Wisconsin public high schools and are enrolled in University of Wisconsin institutions and Wisconsin technical colleges. The first grants were awarded during the 2008-09 academic year and ranged in value from \$1,000 to \$5,000 annually. It is anticipated that in future years over 3,000 students will receive grants from the Fund yearly. These grants are awarded through the financial aid office of the institution the student attends and are not paid directly to the student. The Fund is financed through private sources and is endowed by a \$175 million gift from John and Tashia Morgridge made in December, 2007. The Fund for Wisconsin Scholars has no formal relationship with OWCSF.

6. In addition, Act 20 created an appropriation for Wisconsin covenant scholars grants under HEAB. This appropriation was unfunded in the 2007-09 biennium. However, as the first Wisconsin covenant scholars enrolled in the program as eighth graders in the spring of 2007, it is anticipated that the first covenant scholars would enroll in colleges and universities in the fall of 2011. Based on this timing, funding would not need to be provided until the 2011-13 biennium.

7. Current law specifies that to be eligible for a Wisconsin covenant scholars grant, a student must be a resident of this state and enrolled at least half-time as a freshman, sophomore,

junior, or senior at a public, private, or tribally-controlled postsecondary institution located in this state. A student would be eligible for up to 10 semesters of support provided he or she meets acceptable academic standards as determined by the institution in which the student is enrolled. Current law does not specify how individual grant amounts would be determined.

Program Administration and Rules

8. By requiring DOA to promulgate rules related to the Wisconsin covenant scholars grants program, which may include the method by which individual grant amounts would be determined, and by requiring OWCSPP to determine average tuition and fees charged, which could be a factor used to determine individual grant amounts, AB 75 would transfer a significant amount of administrative responsibility from HEAB to DOA and OWCSPP. DOA is an executive agency; OWCSPP has two staff members both hired by the Secretary of DOA. By contrast, HEAB is an independent agency which is governed by a board. The Board consists of: (a) the State Superintendent; (b) a member of the UW Board of Regents; (c) a member of the WTCS Board; (d) a member from a board of trustees of a private college; (e) three financial aids administrators, one each from the UW System, WTCS, and a private college; (f) three students, one each from the UW System, WTCS, and a private college; and (g) a public member. As a statutorily created board, HEAB meetings are subject to open meetings law, allowing for public participation.

9. Under AB 75, DPI, the UW System, the WTCS Board, the private colleges, students, and the public would have no formal role in developing the rules related to the Wisconsin covenant scholars program. To provide greater oversight of the rules making process and to ensure a formal role for DPI, the UW System, the WTCS Board, the private colleges, students, and the public, the Committee may wish to retain current law in this area. Under this alternative, HEAB would promulgate rules related to the Wisconsin covenant scholars program and determine average tuition and fees.

10. However, if the provision would be deleted and the authority to promulgate rules retained with HEAB, OWCSPP would have no formal role in the rule making process as OWCSPP does not have a seat on the Board. If HEAB is to promulgate rules related to the Wisconsin covenant, the Committee could modify current law to create a position on the Board for the OWCSPP director. Similarly, the Committee could modify current law to create a position on the Board for a representative of the two tribally-controlled colleges.

OWCSPP Funding

11. Act 20 provided 2.0 positions and \$180,200 GPR annually for the OWCSPP, to be located in the Department of Administration. In addition to the funding provided for OWCSPP under 2007 Act 20, AB 75 would provide an additional \$24,200 in 2009-10 and \$30,700 in 2010-11. This funding would be used to support limited-term employees who would perform data entry related to new program enrollees and to fund mailing and printing costs that are projected to increase as program enrollment increases.

Grant Funding

12. The Governor's budget provides \$25,000,000 in 2010-11 for Wisconsin covenant scholars grants in an annual appropriation created for this purpose in 2007 Act 20. However, as the first class of Wisconsin covenant scholars will not graduate from high school until 2011-12, it is not anticipated that these funds would be used to make grants to students in 2010-11. Additionally, DOA included \$25 million in 2010-11 as lapses from this funding in its general fund condition statement, so it is projected that no moneys would be expended for these grants in the 2009-11 biennium. According to Executive Budget documents, the purpose of this funding is to establish a base level of funding for the Wisconsin covenant scholars grant program.

13. By providing \$25,000,000 for Wisconsin covenant scholars grants in 2010-11, AB 75 appears to increase the amount of funding provided for student financial aid by an additional \$25,000,000. If the purpose of the funding provided is to create a base level of funding for the program for the purpose of budgeting in the 2011-13 biennium, AB 75 could have created language stating the base level of funding to be used for future budgeting without showing that amount of funding in the appropriation schedule for the 2009-11 biennium. This is the approach used in the bill for setting base level funding for K-12 equalization aids and for medical assistance funding. As an alternative, the Committee could insert statutory language requiring that, for the purpose of formulating the 2011-13 biennial budget bill, base level funding for the Wisconsin covenant scholar grant program would be \$25,000,000. This would modify AB 75 so that it more clearly reflects the actual level of financial aid funding in 2010-11.

14. The Committee could also delete the funding without inserting any additional statutory language. Under this alternative, program funding would be determined during the 2011-13 budget process. Deleting the funding provided under AB 75 should not have any adverse effect on program administration in 2011-12. In odd-numbered years, HEAB bases its award calculations on the level of funding provided in the Governor's budget, not on base level funding.

ALTERNATIVES

A. Promulgation of Rules and Determination of Average Tuition and Fees

1. Approve the Governor's recommendation.
2. Delete provision. Modify current law to provide a position on the Higher Educational Aids Board for the Director of OWCS and a representative of the two tribally-controlled colleges. Under this alternative, the Wisconsin covenant scholars grant program rules would be promulgated by HEAB, and the Board would be expanded by two members.
3. Delete provision. Under this alternative, HEAB would promulgate rules related to the Wisconsin covenant scholars grant program and determine average tuition and fees.

B. Other Provisions

1. Approve the Governor's recommendations regarding the joint administration of the Wisconsin covenant scholars grant program by OWCSF and HEAB, the modification to program eligibility, and the requirement that DPI provide pupil information to the OWCSF.
2. Delete provision.

C. OWCSF Funding

1. Approve the Governor's recommendation to provide \$24,200 in 2009-10 and \$30,700 in 2010-11 for LTE and supplies and services costs.
2. Delete provision.

ALT C2	Change to Bill Funding
GPR	- \$54,900

D. Grant Funding

1. Approve the Governor's recommendation.
2. Delete provision. Instead, specify that, for the purpose of formulating the 2011-13 biennial budget bill, base level funding for the Wisconsin covenant scholar grant program would be \$25,000,000.

ALT D2	Change to Bill Funding
GPR	- \$25,000,000
GPR-Lapse	<u>- 25,000,000</u>
Net GPR Change	\$0

3. Delete provision. Under this alternative, funding for the Wisconsin covenant scholar grant program would be determined in the 2011-13 budget.

ALT D3	Change to Bill Funding
GPR	- \$25,000,000
GPR-Lapse	<u>- 25,000,000</u>
Net GPR Change	\$0

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