



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #470

Tuition Increase Grants (UW System)

[LFB 2009-11 Budget Summary: Page 655, #4]

CURRENT LAW

No provision.

GOVERNOR

Provide \$6,000,000 GPR annually and authorize the Board of Regents to make grants to resident undergraduate students who do not receive Wisconsin higher education grants. Specify that the amount of these grants would be determined by the Board of Regents and would correspond to any increase or any portion of an increase in resident undergraduate tuition. Prohibit the Board of Regents from making a grant to a student whose name appears on the statewide support lien docket unless the student provides a payment agreement that has been approved by the county child support agency.

DISCUSSION POINTS

1. The Governor's budget recommendations would provide additional financial aid funding under HEAB and the UW System designed to hold students whose family income is less than \$60,000 harmless from potential tuition increases. Under HEAB, AB 75 would increase total funding for WHEG-UW by \$8,024,200 in 2009-10 and \$16,489,700 in 2010-11, increases of 14.6% and 13.4% respectively. These increases are intended to increase the amount of WHEG-UW grants to offset increases in tuition for all WHEG-UW recipients. Under the UW System, the Governor's budget recommendations would provide \$6,000,000 annually to provide grants equal to tuition increases, or some portion thereof, to resident undergraduate students who do not receive WHEG-UW awards. While the Governor indicated in his budget address that this funding should be used to make awards to students whose family income is less than \$60,000, AB 75 does not specify any

income-based eligibility requirement for these grants.

2. Under the Governor's recommendation, the specifics of how the program would be administered would be determined by the UW System Board of Regents. According to UW System staff, only resident undergraduates with family incomes of \$60,000 or less who do not receive grants under the WHEG-UW program and who have unmet financial need, as demonstrated by the student's free application for federal student aid (FAFSA), would be eligible for grants. Based on student data, the UW System estimates that approximately 14,550 students would be eligible for tuition increase grants in each year.

3. In its budget request, the UW System estimated that tuition would increase by 5.5% in each year of the 2009-11 biennium. These estimated tuition increases are comparable to the tuition increases at the UW four-year institutions in both the 2007-08 and 2008-09 academic years. If tuition increases by 5.5% in each year, average UW System tuition would increase by \$310 in 2009-10 and \$327 in 2010-11. Therefore, potential awards under the proposed tuition increase grant program could average \$310 in 2009-10 and \$637 in 2010-11, which is the sum of the average tuition increases in 2009-10 and 2010-11. Actual tuition increases will vary by institution, because the tuition charged by individual institutions varies. Awards are estimated to be \$367 in 2009-10 and \$754 in 2010-11 for UW-Madison students, \$359 in 2009-10 and \$738 in 2010-11 for UW-Milwaukee Students, and \$280 in 2009-10 and \$575 in 2010-11 for students at the comprehensive campuses. These estimates are based on 5.5% increases in tuition.

4. Because awards would be larger in the 2010-11 academic year, it is estimated that the program would cost more in that year than in 2009-10. Based on the estimated grant amounts, program costs would total \$4.1 million in 2009-10 and \$8.3 million in 2010-11. As an alternative to the \$6,000,000 of annual funding under AB 75, the Committee could reduce funding by \$1,900,000 in 2009-10 and increase funding by \$2,300,000 in 2010-11 to support the proposed tuition increase grant program. Under this alternative, total program funding would increase by \$400,000 as compared to AB 75.

5. The UW System has provided some details regarding how the proposed tuition increase grant program could be administered. However, it is unclear how the program would be administered if more students than expected qualify for the program and the cost of grants to these students exceeds the amount provided under AB 75. The Governor's budget recommendations, which state that grants should be equal to the increase in tuition or a portion thereof, would permit the Board of Regents to prorate grants. Under this scenario, students would receive grants that would be less than the increase in tuition. Alternatively, grants equal to the full dollar amount of the tuition increase could be provided if the Board of Regents reallocated base funding to supplement the funding provided for the grant program under the Governor's budget. Yet another option would be for the Board of Regents to limit the number of students who were eligible for awards under the program by imposing additional eligibility requirements. For example, the Board of Regents could make only full-time students eligible for grants. As an alternative to allowing the Board of Regents discretion, the Committee could specify how the program should be administered. The Committee could require the Regents to prorate grants, fully fund grants by reallocating base resources, or provide grants only to full-time students.

6. Under AB 75, funding for this program would be provided in the UW System's general program operations appropriation. If the Committee wishes to fully fund the proposed grant program, it could create a GPR sum sufficient appropriation under the UW System for the program and delete \$6,000,000 annually from the general program operations appropriation. This would allow the UW System to provide awards equal to the full amount of tuition increases to all eligible students without having to reallocate base resources if program costs exceed program funding. The sum sufficient appropriation would be estimated at \$4.1 million in 2009-10 and \$8.3 million in 2010-11. However, if a sum sufficient appropriation would be created, the Committee would need to further specify which students would be eligible for awards. Funding for the grant program would then depend on tuition increases and the number of eligible students.

7. UW System staff have indicated that freshmen would be eligible under the grant program. Under this approach, freshmen in 2009-10 would be eligible for awards averaging \$310 and freshmen in 2010-11 would be eligible for awards averaging \$637. As these awards would offset tuition increases in each year, a new freshman in 2009-10 would be expected to pay the tuition rate charged in 2008-09 and a new freshman in 2010-11 would be expected to pay the tuition rate charged in 2008-09. While a policy argument could be made for charging students the same annual tuition rate in consecutive academic years, it is unclear why this rate should be set at the level of tuition charged in the year prior to the year in which the student enrolls, as would be the case for freshmen enrolling in 2009-10, or to the level of tuition charged in the year two years prior to the year in which the student enrolls, as would be the case for freshmen enrolling in 2010-11. To address this issue, the Committee may wish to make only sophomores, juniors, and seniors eligible for program grants in any given year. This would exclude all freshmen and would have the benefit of decreasing program costs. Another alternative would be to specify that grants to newly enrolled students should be based on tuition increases in the current academic year. This would mean that new freshmen would be eligible for grants averaging \$327 in 2010-11 instead of \$637 as proposed by the UW System. Freshmen in 2009-10 would still be eligible for grants averaging \$310 as under the approach identified by the UW System. This would decrease costs; however, the decrease in costs would be less than if freshmen were to be excluded altogether.

8. Another issue involves grant eligibility for students whose family income is \$60,000 or less but whose unmet need is less than the amount of the grant. For example, a student could have a family income of \$60,000 or less and unmet financial need equal to \$200. A student's unmet need is equal to total cost of attendance less the expected family contribution and all other financial aid awarded. UW System staff have indicated that such a student would receive a grant equal to the amount of his or her unmet need, \$200 in this case, instead of a grant equal to the full amount of the tuition increase. The Committee may wish to specify that grants provided under the program may not exceed the unmet need of a student.

9. It is also unclear what the costs associated with this program in future biennia would be if it is continued by the Legislature. Table 1 shows estimates of program costs in the 2011-13 biennium under two scenarios. Under the first scenario, grants provided in each year of the 2011-13 biennium are equal to grants provided in 2010-11, estimated at \$637. Under this scenario, future increases in tuition would not be offset by program grants. Under the second scenario, grants increase in each year by the estimated increase in tuition from \$637 in 2010-11 to \$982 in 2011-12

and \$1,346 in 2012-13. As shown in Table 1, program costs would increase significantly under this scenario.

TABLE 1

**Potential 2011-13 Costs
(In Millions)**

	Scenario 1		Scenario 2	
	<u>Freeze Grant at 2010-11 Level</u>		<u>Increasing Grant Amounts</u>	
	Average Grant To Full-Time <u>Students</u>	Total Program <u>Cost</u>	Average Grant to Full-Time <u>Students</u>	Total Program <u>Cost</u>
2009-10	\$310	\$4.1	\$310	\$4.1
2010-11	637	8.3	637	8.3
2011-12	637	8.3	982	12.9
2012-13	637	8.3	1,346	17.6

10. One means of reducing costs in future biennia would be to limit the amount of grants provided to new freshmen as discussed above. While limiting grants to freshmen would result in relatively small decreases in program costs in the 2009-11 biennium, doing so would significantly reduce future program costs. Table 2 shows program costs in the 2011-13 biennium if grants to freshmen are limited to the amount of the tuition increase in the first year in which they enroll (scenario 3) and if freshmen are ineligible for program grants (scenario 4). Under both scenarios, future increases in tuition would be offset by program grants.

TABLE 2

**Potential 2011-13 Costs -- Limited or No Freshmen Grants
(In Millions)**

	Scenario 3		Scenario 4	
	<u>Limited Grants to Freshmen</u>		<u>No Grants for Freshmen</u>	
	Average Grant to Full-Time <u>Freshman</u>	Total Program <u>Cost</u>	Average Grant to Full-Time <u>Freshman</u>	Total Program <u>Cost</u>
2009-10	\$310	\$4.1	\$0	\$3.0
2010-11	327	7.2	0	5.2
2011-12	345	9.7	0	6.5
2012-13	364	11.3	0	6.9

11. If the goal of this grant program is to offset tuition increases for middle-class students during the current economic downturn, as has been suggested by UW System staff, this program may be discontinued in 2011-13 biennium. In this case, program funding, which would

remain at \$6,000,000 annually in the 2011-13 biennium unless otherwise reduced or eliminated by the Legislature, would be used in the 2011-13 biennium to make grants to students who received grants in the 2009-11 biennium. This would avoid large tuition increases for these students and their families in the 2011-12 academic year. As these students graduate, program funding would be freed up and could be repurposed to serve other financial aid policy objectives, such as providing grants to Wisconsin covenant scholars. As an alternative, the Committee could insert language to indicate how the program should be administered during the 2011-13 biennium. This would provide the UW System staff with direction in terms of developing their budget request in that biennium as well as provide students and families with a better idea of the amount of financial aid they could expect.

12. This provision would create a new financial aid program for moderate-income students enrolled in the UW System. The Governor's budget recommendations would also significantly increase the funding for the WHEG-UW program. However, the Governor's budget recommendations would provide much smaller increases for state-funded need-based grants programs that serve technical, tribal, and private college students. These programs include the tuition grant (TG) program, which provides grants to resident undergraduate students enrolled at Wisconsin private, independent colleges and universities, the WHEG program for technical college students, and the WHEG program for tribal college students. Under AB 75, funding for each of these three programs would increase by 1% in 2009-10 and 2% in 2010-11. As an alternative, the \$12,000,000 proposed for the tuition increase grant program could be used to provide need-based grants to students enrolled in post-secondary institutions outside the UW System through the TG, WHEG-TCS, and WHEG-tribal colleges programs.

13. According to the UW System, the purpose of this tuition increase grant program is to provide relief from tuition increases to middle-income families during the current economic downturn. However, the economic downturn may have a greater effect on the technical colleges and their students than the UW System and its students. Since the beginning of the current economic downturn, the number of applicants for WHEG-TCS grants has increased significantly. As of February 10, 2009, there were 66,230 applicants for WHEG-TCS grants in the 2008-09 academic year, an increase of 12.7% over the previous year. By comparison, applicants for WHEG-UW grants have increased by 3.3%. In addition, as of March, there were 6,422 students on the waiting list for WHEG-TCS which is more than double the number of students who were on the list in the prior year (2,653). The large number of students on the waiting list for WHEG-TCS indicates that program funding cannot fully fund technical college student demand, especially during the current economic downturn.

14. At its May, 2009, meeting, the Board of Regents will consider a differential tuition for UW-Madison, known as the Madison initiative for undergraduates, that has been proposed by the UW-Madison Chancellor. Under the Madison initiative for undergraduates, undergraduate tuition would increase for four years by \$250 per year for resident students and \$750 per year for nonresident students. Once fully implemented, the tuition differential would total \$1,000 per year for resident undergraduate students and \$3,000 per year for nonresident undergraduate students. Approximately half of the revenues from the tuition differential would be used to support additional faculty positions and student services; the remainder would be used to fund additional need-based

financial aid. A portion of this financial aid funding would be used to hold students whose family income is less than \$80,000 and who have demonstrated financial need harmless from the increases under the differential tuition. These students would still be charged UW System tuition increases which are imposed by the Board of Regents, not the individual campus. Under AB 75, UW-Madison students whose family income is less than \$60,000 would be held harmless from UW System tuition increases through increases in the WHEG program or the proposed tuition increase grant program.

ALTERNATIVES

A. Funding

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to reduce the funding by \$1,900,000 in 2009-10 and increase funding by \$2,300,000 in 2010-11. Under this alternative, program funding would be equal to estimates of program costs in each year.

ALT A2	Change to Bill Funding
GPR	\$400,000

3. Create a new sum sufficient appropriation under the UW System to fund this program. Provide \$4,100,000 in 2009-10 and \$8,300,000 in 2010-11 in estimated funding. Decrease the UW System's appropriation for general program operations by \$6,000,000 annually.

ALT A3	Change to Bill Funding
GPR	\$400,000

4. Delete provision.

ALT A4	Change to Bill Funding
GPR	- \$12,000,000

B. Proration

1. Approve the Governor's recommendation. This would permit the Board of Regents to determine whether awards should be prorated in the case that the funding provided is less than total program costs.
2. Specify that the Board of Regents would prorate awards in the case that funding is less than total program costs.

3. Require the Board of Regents to provide grants in the full amount of tuition increases to all eligible students. If program funding is not sufficient, the Board of Regents would fund these grants by reallocating base resources.

C. Award Calculation

1. Approve the Governor's recommendation. Permit the Board of Regents to determine the amount of individual awards.

2. Specify one or both of the following:

a. limit the amount of the award to the unmet need of the student.

b. awards granted to newly enrolled students would be based on tuition increases in the current year.

D. Grant Eligibility

1. Approve the Governor's recommendation. Permit the Board of Regents to determine the amount of individual awards.

2. Specify one or both of the following:

a. only students whose family incomes are less than \$60,000 and who have unmet financial need may receive awards.

b. freshmen would not be eligible for awards.

E. Future Biennia

1. Approve the Governor's recommendation. Under this alternative, the program would continue in the 2011-13 biennium.

2. Specify that in the 2011-13 biennium and thereafter, the program would only apply to students attending the UW System in the 2009-11 biennium who maintain continuous enrollment. Specify that students who begin attending the UW System after June 30, 2011, would not be eligible for the program.

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