



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #385

Wisconsin Covenant (Higher Educational Aids Board)

[LFB 2011-13 Budget Summary: Page 21, #10, Page 255, #5 and #6, and Page 256, #7]

CURRENT LAW

The Wisconsin covenant scholars grants program will provide grants to eligible students beginning in the 2011-12 academic year. To be eligible, a student must be designated as a Wisconsin covenant scholar by the Office of the Wisconsin Covenant Scholars Program (OWCSP). The student must also 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. Annual grants will be awarded based on the student's financial need and will range from \$250 to \$1,500 during the first two years of enrollment. Grants for the third and fourth year of enrollment would be determined using a formula developed by OWCSP and approved by the Higher Educational Aids Board (HEAB).

In addition, the Wisconsin Covenant Foundation, a nonprofit corporation whose primary purpose is to raise funds to provide financial aid to low-income students who fulfill the Wisconsin covenant pledge, has committed to providing grants of at least \$1,500 to designated scholars with the greatest financial need during the first year of enrollment. These students would receive at least \$2,500 in grants through the Wisconsin covenant scholars grant program and the Wisconsin Covenant Foundation.

GOVERNOR

Grant Funding: Decrease funding by \$15,377,300 GPR in 2011-12 and \$5,754,600 GPR in 2012-13 for the Wisconsin Covenant Scholars grant program. Total program funding would be \$9,622,700 in 2011-12 and \$19,245,400 in 2012-13. According to the administration, the amounts of funding that would be provided are based on student participation in the Wisconsin covenant scholars program.

Program Sunset: Provide that no student may enroll in the Wisconsin covenant scholars program after September 30, 2011. Specify that HEAB may only designate a student as a Wisconsin covenant scholar for the purpose of receiving a Wisconsin covenant scholars grant if the student was enrolled in the Wisconsin covenant scholars program by that date. Students who enroll in the program during 2011 would be expected to graduate from high school in the spring of 2015 and enroll in postsecondary education during the 2015-16 academic year.

Program Administration: Specify that HEAB would be the sole administrator of the Wisconsin covenant scholars grant program and provide \$126,100 GPR and 1.0 GPR project position beginning in 2011-12 for the administration of that program. The bill would eliminate the Office of the Wisconsin Covenant Scholars Program (OWCSP) under the Department of Administration (DOA) and transfer all assets, liabilities, tangible personal property, contracts, rules, orders, and pending matters of OWCSP to HEAB. In 2010-11, OWCSP had a budget of \$203,200 GPR and 2.0 GPR authorized positions.

DISCUSSION POINTS

1. Beginning in the spring of 2007, Wisconsin resident students enrolled in the eighth grade have been invited to sign the Wisconsin covenant pledge. The first Wisconsin covenant scholars are expected to graduate in the spring of 2011 and enroll in postsecondary education during the 2011-12 academic year making them eligible for grants. Under 2009 Act 28, \$25 million GPR was provided for the Wisconsin Covenant Scholars grant program in 2010-11. Because no students were eligible to receive Wisconsin covenant scholars grants in that year, these funds will lapse to the general fund at the end of the 2010-11 fiscal year.

2. The bill would provide \$9,622,700 GPR in 2011-12 and \$19,245,400 GPR in 2012-13 for Wisconsin Covenant Scholars grants. According to the administration, these amounts assume that 60% of the eighth grade students who signed the Wisconsin covenant pledge in 2007 would receive Wisconsin covenant scholars grants. To be designated as a Wisconsin covenant scholar eligible for a program grant, a student must submit the Wisconsin covenant scholars verification form to OWCSP by April 1 of his or her senior year. OWCSP then verifies each students' eligibility and provides HEAB with a list of students designated as Wisconsin covenant scholars on April 30.

3. As of April 30, 2011, OWCSP had designated 5,436 students, or 30.3% of those who had signed the pledge in 2007, as Wisconsin covenant scholars. Based on data provided by HEAB on May 16, 2011, it is estimated that HEAB would award Wisconsin covenant grants totaling \$3,930,000 in 2010-11 to 5,247 students. The actual amount of grants awarded could be lower if some Wisconsin covenant scholars do not enroll in higher education or enroll in institutions in other states. Table 1 compares the estimates used in the Governor's budget bill and the data provided by HEAB on May 16, 2011.

TABLE 1**Estimates of Wisconsin Covenant Scholars by Award Level**

Expected family <u>Contribution</u>	Estimates Used to <u>Prepare Governor's Budget</u>			<u>May 16, 2011, HEAB Estimates</u>		
	<u>Covenant Scholars</u>	<u>Award Amount</u>	<u>Total Cost</u>	<u>Covenant Scholars</u>	<u>Award Amount</u>	<u>Total Cost</u>
Zero	2,382	\$1,000	\$2,382,000	553	\$1,000	\$553,000
\$1 to \$3,499	2,174	1,500	3,261,000	796	1,500	1,194,000
\$3,500 to \$11,999	3,241	1,000	3,241,000	1,612	1,000	1,612,000
\$12,000 and above	<u>2,955</u>	250	<u>738,700</u>	<u>2,286</u>	250	<u>571,500</u>
Total	10,752		\$9,622,700	5,247		\$3,930,500

4. Students designated as Wisconsin covenant scholars are eligible for Wisconsin covenant scholars grants for up to eight semesters. The "Budget in Brief" indicates that it is the Governor's intention to provide Wisconsin covenant scholars grants to eligible students for four years of enrollment. Table 2 shows estimated program costs for the 2011-13 and 2013-15 biennia based on current data and the number of pupils who signed the pledge in each of the last four years.

TABLE 2**Estimated Wisconsin Covenant Scholars Grants, 2011-12 to 2014-15**

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
First year students	\$3,930,000	\$4,060,000	\$3,696,000	\$4,024,000
Second year students	0	3,930,000	4,060,000	3,696,000
Third year students	0	0	3,930,000	4,060,000
Fourth year students	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,930,000</u>
Total	\$3,930,000	\$7,990,000	\$11,686,000	\$15,710,000

5. These estimates assume that all students who receive grants during their first year of enrollment would receive grants in subsequent years and that 30% of students who signed the pledge would be designated as scholars in each year. As it is likely that some students would dropout, these estimates most likely overestimate total program costs. (As an example, if Wisconsin covenant scholars grant recipients are retained at the institution in which they enroll at the same rate as UW System students are retained and grants to new students designated as scholars increase by 10% annually, the estimated cost of the program could be less than the amounts shown in Table 2 by \$0.5 million in 2012-13, \$0.7 million in 2013-14, and \$1.1 million in 2014-15.) These figures have not been adjusted for dropouts because one of the potential outcomes of the Wisconsin covenant program could be increased college persistence amongst grant recipients. In addition, Wisconsin covenant scholars may be more likely to be retained due to their strong academic performance in high school and good citizenship.

Program Sunset

6. Under the bill, no new students would be able to enroll in the Wisconsin covenant program after September 30, 2011. Students who sign the Wisconsin covenant pledge in the current calendar year would be eligible for grants beginning in 2015-16 academic year. These students would continue to be eligible for program grants through the 2019-20 academic year. The Wisconsin covenant scholars grant program would end after that year.

7. According to the memorandum of understanding that established the program, 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 affordability of higher education by ensuring that all students who successfully complete the program can afford tuition and fees. Because the first class of Wisconsin covenant scholars has yet to enroll in higher education, it is unclear to what extent the program has been successful in achieving its goals. For this reason, it may be desirable to delay the program sunset until the success of the program can be evaluated using data such as the number of Wisconsin covenant scholars required to take remedial courses, scholar retention rates, scholar graduation rates, and increases in enrollment by low-income students attributable to the program. Delaying the program sunset would have no fiscal effect in the next two biennia but would create an additional obligation beginning in the 2016-17 fiscal year.

8. According to the "Budget in Brief," sunsetting the Wisconsin covenant scholars grant program would allow the state to focus scarce resources on the existing Wisconsin higher education grant (WHEG) programs. The WHEG programs provide need-based grants to resident students enrolled at least half-time in UW System institutions, Wisconsin technical colleges, and tribally-controlled colleges located in this state. The tuition grant program similarly provides need-based grants to resident students enrolled at least half-time in private, nonprofit, accredited institutions of higher education located in this state. In that all WHEG and TG awards are made to students who have demonstrated financial need, it could be argued that these programs better address affordability. However, as these programs do not require students to have maintained a certain grade point average or take college preparatory courses, the WHEG and TG programs do nothing to increase student preparedness and may do less to support student success than the Wisconsin covenant program. Sunsetting the Wisconsin covenant scholars program in the current year would reduce the state's obligation beginning in the 2016-17 academic year. Funding that otherwise would have been used to provide Wisconsin covenant scholars grants could then be used to increase funding for the WHEG and TG programs.

WHEG and TG Funding

9. Under the bill, no increases in funding are provided for the WHEG and TG programs. In recent years, the number of students who have been eligible for WHEG grants because of their financial need has exceeded the number of WHEG grants that could be awarded based on the program formula and the amounts appropriated. Eligible students to whom a grant could not be awarded are placed on the program waitlist. As of January, 2011, there were 5,907 students on the waitlist for the WHEG-UW program and 38,520 students on the waitlist for the

WHEG-TCS program.

10. The amount of funding provided for the Wisconsin covenant scholars grant program that is in excess of what would be needed to fully fund that program based on current estimates could be used to provide funding increases for the WHEG-UW, WHEG-TCS, and TG programs. (The WHEG-tribal colleges program is excluded because it is funded with program revenue from tribal gaming, not general purpose revenue.) Table 3 shows the amount that could be provided for the WHEG-UW, WHEG-TCS, and TG programs if funding increases were distributed based on 2010-11 funding levels. Under this scenario, funding for each program would increase by 5.5% in 2011-12 and 5.1% in 2012-13. However, as WHEG-TCS has a significantly larger waitlist than WHEG-UW, it could be argued that larger increases should be provided to that program.

TABLE 3

Potential Increases for the WHEG-UW, WHEG-TCS, and Tuition Grant Programs

	2010-11 <u>Appropriation</u>	2011-12 <u>Increase</u>	2012-13 <u>Increase</u>
WHEG-UW	\$58,345,400	\$3,193,300	\$6,313,600
WHEG-TCS	18,797,900	1,028,800	2,034,100
Tuition grant	<u>26,870,300</u>	<u>1,470,600</u>	<u>2,907,700</u>
Total	\$104,013,600	\$5,692,700	\$11,255,400

Program Administration

11. Under current law, the Wisconsin covenant scholars grant program is jointly administered by OWCSF and HEAB. Under the bill, OWCSF would be eliminated and HEAB would become the sole administrator of the program. The bill would provide \$126,100 and 1.0 project position for HEAB related to the Wisconsin covenant scholars grant program. Currently, one of the two positions authorized for OWCSF is filled. The State Budget Office has indicated that it is intended that the current OWCSF staff person would be transferred to HEAB and maintain the rights of the current position. The bill does not require the transfer of this employee.

12. If the program is sunsetted, no new students would be enrolled in the program after September 30, 2011. This would reduce the promotional activities related to the Wisconsin covenant scholar program and the need for staff. At the same time, as more students become eligible for grants, activities related to grants administration would increase. As HEAB currently administers the state's largest student financial aid programs, it may be the most appropriate agency to house the Wisconsin covenant scholars grant program.

13. If the Committee does not sunset the Wisconsin covenant scholars program, the Committee may wish to maintain program funding and staff at the current level. As grants administration is likely to become a larger share of activities related to the Wisconsin covenant scholars program, the Committee could transfer the program to HEAB as under the bill or could maintain OWCSF under DOA as under current law.

ALTERNATIVES

A. Grant Funding

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation by reestimating program demand and decreasing funding for the Wisconsin covenant scholars grants by \$5,692,700 in 2011-12 and \$11,255,400 in 2012-13. Program funding would be \$3,930,000 in 2011-12 and \$7,990,000 in 2012-13 which would fully fund the program based on the number of students designated as Wisconsin covenant scholars as of April 30, 2011.

ALT A2	Change to Bill Funding
GPR	- \$16,948,100

3. Modify the Governor's recommendation by reestimating program demand and decreasing funding for the Wisconsin covenant scholars grants by \$5,692,700 in 2011-12 and \$11,255,400 in 2012-13. Program funding would be \$3,930,000 in 2011-12 and \$7,990,000 in 2012-13 which would fully fund the program based on the number of students designated as Wisconsin covenant scholars as of April 30, 2011. In addition, increase funding for WHEG-UW by \$3,193,300 in 2011-12 and \$6,313,600 in 2012-13, increase funding for WHEG-TCS by \$1,028,800 in 2011-12 and \$2,034,100 in 2012-13, and increase funding for the tuition grant program by \$1,470,600 in 2011-12 and \$2,907,700 in 2012-13.

B. Program Sunset and Administration

1. Approve the Governor's recommendations.
2. Modify the Governor's recommendations by deleting sunset provision. This would allow eighth grade students to enroll in the program in future years.
3. Delete provision. Eight grade students would be able to enroll in the program in future years and the Office of the Wisconsin Covenant Scholars Program would remain in the Department of Administration. Funding and staff levels would remain at their current levels and OWCSPP would retain primary responsibility for the program. Provide \$77,100 GPR and 1.0 GPR position annually to restore funding to DOA.

ALT B3	Change to Bill Funding Positions	
GPR	\$154,200	1.00

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