



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #381

Reestimate Certain Sum Sufficient Appropriations (Higher Educational Aids Board)

[LFB 2017-19 Budget Summary: Page 252, #5]

CURRENT LAW

The Wisconsin covenant scholars grant program provides grants to resident undergraduate students who have been designated as Wisconsin covenant scholars. To be designated as a Wisconsin covenant scholar, a student must have signed the Wisconsin covenant pledge between spring, 2007, and fall, 2011. The program is funded through a GPR, sum sufficient appropriation which is estimated at \$8,210,000 in 2016-17.

Payments related to the Minnesota-Wisconsin student reciprocity agreement and the technical excellence scholarship program are also funded through GPR, sum sufficient appropriations under the Higher Educational Aids Board (HEAB).

GOVERNOR

Reduce funding for the Wisconsin covenant scholars grant program by \$2,605,500 GPR in 2017-18 and by \$5,125,200 GPR in 2018-19. Program funding would be \$5,604,500 in 2017-18 and \$3,084,800 in 2018-19 under the bill. Base level funding is \$8,210,000 in 2016-17

The Governor's budget would not reestimate expenditures through the sum sufficient appropriations for payments related to the Minnesota-Wisconsin students reciprocity agreement and the technical excellence scholarship (TES) program. Base level funding of \$5,142,000 GPR would be provided annually in 2017-19 for the reciprocity agreement and \$1,300,000 GPR annually for the TES program.

EXPLANATION OF THE MODIFICATION

1. The Wisconsin covenant scholars grant program, payments related to the Minnesota-Wisconsin student reciprocity agreement, and the technical excellence scholarship program are all funded through GPR, sum sufficient appropriations. The Governor's budget reestimates expenditures for the Wisconsin covenant scholars grant program, but does not reestimate expenditures through the other two appropriations. As sum sufficient appropriations provide the amount of funding necessary to accomplish the purpose specified, the amount shown in the appropriation schedule does not limit expenditures through these appropriations. However, having accurate estimates of expenditures through GPR, sum sufficient appropriations is helpful in estimating the general fund balance at the end of each fiscal year.

Wisconsin Covenant Scholars Grant Program

2. From spring, 2007, through fall, 2011, Wisconsin resident students enrolled in the eighth grade were invited to sign the Wisconsin covenant pledge. Students who successfully completed the pledge are eligible to receive Wisconsin covenant scholars grants while enrolled in UW institutions, technical colleges, private, nonprofit colleges and universities, and tribal colleges located in this state. Grants range from \$125 to \$1,500 annually based on the student's need and whether the student is enrolled full- or part-time. The last class of students who were eligible to sign the Wisconsin covenant pledge enrolled in post-secondary education during the 2015-16 year. As students may receive grants during the first five years after high school graduation, the grant program will end in 2020-21 when no students will be eligible for grants through the program.

3. The Governor's budget reestimates Wisconsin covenant scholars grant program expenditures at \$5,604,500 in 2017-18 and \$3,084,800 in 2018-19. Based on program data through April, 2017, it is estimated that program expenditures would total \$5,040,000 in 2017-18 and \$2,930,000 in 2018-19, or \$564,500 less than provided in the Governor's budget in 2017-18 and \$154,800 less in 2018-19.

Minnesota-Wisconsin Student Reciprocity Payment

4. The Minnesota-Wisconsin student reciprocity agreement allows students from both states to attend public universities and community and technical colleges in the other state without having to pay the nonresident tuition rate. Following each academic year, the administrating agencies total the tuition paid by students from each state attending universities and community colleges in the other state and the reciprocity cost of educating those students. The reciprocity cost is set at 64% of total student costs and is based on costs at UW institutions. The amount of tuition paid by the students of each state is subtracted from the reciprocity cost of educating those students to determine each state's liability under the agreement. The state with the larger liability under the agreement makes a payment equal to the difference between the two liabilities to the other state. Wisconsin has made a payment to Minnesota under the agreement in every year since 2001-02.

5. The Governor's budget estimates payments under the Minnesota-Wisconsin student reciprocity agreement at \$5,142,000 in each year of the biennium. This amount is equal to the amount of the payment made by Wisconsin in 2015-16. On February 15, 2017, HEAB made a

payment of \$8,383,000 to Minnesota under the agreement, which exceeds the budgeted amount in 2016-17 by \$3,241,000. The increase in the payment to Minnesota is primarily attributable to a reduction in the reciprocity cost at the UW comprehensive institutions due to the \$125 million annual GPR budget reduction for the UW System that was included in the 2015-17 biennial budget. The decrease in the reciprocity cost at the UW comprehensive institutions reduced the liabilities of both states; however, the reduction in costs at those institutions reduced Minnesota's liability under the agreement by a greater amount due to a greater proportion of Minnesota students enrolling in those institutions. In 2015-16, 72% of all credits taken by Minnesota students at UW institutions were undergraduate credits taken at UW comprehensive institutions. By comparison, 37% of the credits taken by Wisconsin students enrolled under the agreement were taken at equivalent institutions in Minnesota, which include the four-year institutions belonging to the Minnesota State Colleges and Universities system and the University of Minnesota-Crookston.

6. Students enrolled under the tuition reciprocity agreement are charged the higher of the tuition charged by the institution attended or the tuition charged by a comparable institution in the student's home state. In most cases, Minnesota students enrolled in UW institutions pay the tuition rate charged by a comparable Minnesota institution which is higher than the rate charged by the UW institution. Under current law, UW institutions retain only the portion of tuition paid by Minnesota students that is equal to what a similar resident student would have paid. The amount of tuition that Minnesota students pay that is above the resident rate is deposited in the general fund as GPR-Earned. This amount, which is known as the tuition differential, totaled \$13,455,000 in 2015-16. As the amount of the tuition differential exceeded the amount of the payment made to Minnesota for that year under the agreement, the agreement had a net positive effect on the general fund of \$5,072,000. Based on changes in tuition rates charged by Minnesota institutions and enrollments in the fall, 2016, semester, it is estimated that the tuition differential could increase by \$200,000 in 2016-17. The net effect on the opening balance in 2017-18 of the increased payment of \$3,241,000 and increased revenue of \$200,000 in 2016-17, will be a reduction in the balance of an estimated \$3,041,000.

7. While Wisconsin's payment to Minnesota under the agreement for the 2015-16 year was \$8,383,200, it is estimated that Wisconsin's payment for the 2016-17 year (payable in 2017-18) would be \$7,130,000, and the same amount in 2018-19, which would represent increases of \$1,988,000 annually to the bill. This estimate is based on changes in the number of undergraduate students enrolled under the agreement at UW institutions and University of Minnesota campuses and a 2.5% tuition increase for resident undergraduates at University of Minnesota-Twin Cities.

Technical Excellence Scholarship

8. The technical excellence scholarship (TES) program provides scholarships of up to \$2,250 per year for up to three years to high school seniors with the highest levels of proficiency in technical education subjects. To receive a scholarship, a student who has been designated as a TES scholar by his or her high school must enroll on a full-time basis in a participating Wisconsin technical college by September 30 of the academic year immediately following the student's senior year of high school. To remain eligible for the scholarship, students must continue to be enrolled full-time, maintain a grade point average of at least 3.0, and make satisfactory progress towards an

associate's or bachelor's degree or a vocational diploma. TES scholarships are funded through a GPR, sum sufficient appropriation which provides \$1,125 per scholar. The remaining \$1,125 of the scholarship must be funded by the technical college in which the student enrolls.

9. The TES program was created by 2013 Act 60 and the first TES scholars enrolled in technical colleges in fall, 2015. A total of 483 students received TES scholarships in 2015-16 and the GPR-funded portion of those scholarships totaled \$513,100. In 2016-17, 517 first-year students and 327 continuing students received TES scholarships. Based on expenditures through April, 2017, it is estimated that the GPR-funded portion of scholarships awarded to these students could total \$737,500.

10. The bill would leave the appropriation for TES scholarships at its base level of \$1,300,000 annually. Based on program data through April, 2017, it is estimated that expenditures through that appropriation would total \$832,000 in 2017-18 and \$890,000 in 2018-19, or \$468,000 less than provided under the bill in 2017-18 and \$410,000 less in 2018-19. These estimates assume that the number of first-year students who receive TES scholars would increase by 7% annually, that 68% of first-year students would receive scholarships in their second year of eligibility, and 10% of first-year students would receive scholarships in their third year of eligibility. It also assumes that the average scholarship awarded in future years will be the same as the average scholarship awarded in 2016-17.

MODIFICATION

Reestimate the sum sufficient appropriations for these programs as follows:

	<u>2017-18</u>	<u>2018-19</u>	
Wisconsin Covenant			
Modification	-\$564,500	-\$154,800	GPR
Minnesota-Wisconsin Student Reciprocity			
Modification	\$1,988,000	\$1,988,000	GPR
Also, reestimate 2017-18 opening balance	-\$3,041,000		Opening Balance
Technical Excellence Scholarship			
Modification	-\$468,000	-\$410,000	GPR

	2017-18 Opening Balance	Change to Bill 2017-19	Net Change 2016-17, 2017-19
GPR	\$3,041,000*	\$2,378,700	\$5,419,700
*An increase of \$3,041,000 GPR, which decreases the opening balance by the same amount.			

Prepared by: Emily Pope