



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>

May 18, 2017

Joint Committee on Finance

Paper #675

Technical College Tuition (Wisconsin Technical College System)

[LFB 2017-19 Budget Summary: Page 480, #2 and 3]

CURRENT LAW

Current law requires that the Wisconsin Technical College System (WTCS) Board set uniform tuition rates for post-secondary and vocational-adult courses and for collegiate transfer courses. Tuition is based on districts' projected costs and enrollments and is required to generate revenue equal to a percentage of estimated operational costs determined by state law.

GOVERNOR

Prohibit any district board from charging a resident student an amount of program fees (tuition) for liberal arts, collegiate transfer and postsecondary and vocational-adult programs or a materials fee in 2017-18 or 2018-19 that exceeds the tuition or fees charged in the 2016-17 academic year. Provide \$5,000,000 GPR annually above annual base level funding of \$88,534,900 GPR for state general aid, which is outside of the revenue limits that apply to WTCS districts.

DISCUSSION POINTS

1. The Legislature established a statutory tuition policy for WTCS in 1975 based on a percentage of cost methodology. A uniform tuition charge for state residents enrolled in post-secondary (associate degree and technical diploma) and vocational-adult programs is required by law to be set at the level necessary to generate revenue equal to at least 14% of the estimated, statewide operational cost of those programs. The uniform tuition charge for liberal arts collegiate transfer courses is required to equal at least 31% of the estimated statewide operational cost of these programs. Tuition for students who are not Wisconsin residents is set equal to 150% of resident

tuition, unless covered by a reciprocity agreement. This method of setting tuition, based on districts' projections of costs and full-time equivalent (FTE) enrollments in order to generate the percentage of costs required by law, automatically causes the statutory floor relating to tuition to increase as costs rise.

2. The WTCS Board is responsible for setting statewide tuition rates annually, with tuition set to recover a desired percentage of costs in each year equal to or higher than the statutorily required percentage. In 2016-17, resident tuition for post-secondary and vocational adult courses is \$130.35 per credit, or \$3,910.50 annually for a full-time student. This rate was set to recover 21.5% of costs. Resident tuition for collegiate transfer programs is \$176.35 per credit, or \$5,290.50 annually for a full-time student, and was set to recover 48.1% of collegiate transfer costs.

3. The following table shows per credit and annual resident tuition charges from 2007-08 through 2016-17. Both post-secondary/vocational adult tuition and collegiate transfer tuition increased by an average of 4.1% in each of the last 10 years.

WTCS Tuition, 2007-08 to 2016-17

	<u>Post-Secondary/Vocational-Adult</u>			<u>Collegiate Transfer</u>		
	<u>Per Credit</u>	<u>Annual</u>	<u>Percent Change</u>	<u>Per Credit</u>	<u>Annual</u>	<u>Percent Change</u>
2007-08	\$92.05	\$2,761.50	5.8%	\$124.70	\$3,741.00	5.8%
2008-09	97.05	2,911.50	5.4	131.50	3,945.00	5.5
2009-10	101.40	3,042.00	4.5	136.10	4,083.00	3.5
2010-11	106.00	3,180.00	4.5	142.22	4,266.60	4.5
2011-12	111.85	3,355.50	5.5	150.00	4,500.00	5.5
2012-13	116.90	3,507.00	4.5	158.25	4,747.50	5.5
2013-14	122.20	3,666.00	4.5	165.40	4,962.00	4.5
2014-15	125.85	3,775.50	3.0	170.35	5,110.50	3.0
2015-16	128.40	3,852.00	2.0	173.75	5,212.50	2.0
2016-17	130.35	3,910.50	1.5	176.35	5,290.50	1.5

4. In 2015-16, the three major sources of revenue to WTCS districts were property taxes (\$416.7 million, or 26.9% of total revenue), state aid (\$513.8 million, or 33.1% of total revenue), and tuition and fees (\$264.6 million, or 17.1% of total revenue). Of these, tuition is the revenue source which the WTCS Board has the greatest ability to adjust based on anticipated costs, economic factors, or other considerations. State aid is set by the Legislature each biennium, and a revenue limit restricts technical college property tax levy increases by the district's valuation factor, or percentage increase in the district's equalized value resulting from new construction in the district. Based on projections on new construction, it is estimated that the WTCS revenue limit would increase by \$9.7 million in 2017-18 and \$10.6 million in 2018-19.

5. Another provision of the bill would provide an additional \$5 million GPR annually for state general aid for technical colleges beginning in 2017-18. The Governor's Budget in Brief document states that the purpose of the general aid increase is to partially offset the cost of the tuition freeze. WTCS staff indicate that each 1% increase in tuition results in an additional \$2.2

million in revenue for the technical college system. Therefore, the general aid increase could replace the revenue that could be generated by an increase in tuition equal to approximately 1.5% in each of the next two years.

6. Some would say that freezing tuition at WTCS institutions would represent a consistent statewide policy towards higher education costs. Resident undergraduate tuition at University of Wisconsin (UW) System institutions and UW College campuses was frozen in 2013-14 and 2014-15 under 2013 Act 20, and was again frozen in 2015-16 and 2016-17 under 2015 Act 55. Under a separate provision of the bill, tuition at UW institutions would be reduced by 5% in 2018-19. In 2016-17, annual resident tuition for students attending a two-year UW College, which is most directly comparable to the collegiate transfer programs offered by WTCS, equaled \$4,750 annually, with segregated fees paid by all students varying from \$284 at UW-Fox Valley to \$569 at UW-Richland.

7. On the other hand, UW tuition was frozen in 2013 due to specific concerns about the size of UW's tuition reserve balances. A memorandum sent to Joint Finance Committee members in April, 2013, by the Legislative Fiscal Bureau showed that UW institutions held tuition revenue balances totaling \$459.5 million as of June 30, 2012. Since that time, legislators have expressed concern regarding the level of program revenue balances held by UW System institutions. In particular, many legislators have questioned whether it was necessary for the Regents to increase resident undergraduate tuition by 5.5% annually during the 2007-09 and 2009-11 biennia after it was shown that tuition balances increased from \$159.9 million to \$431.8 million over that time period. It could be argued that without such concerns about the technical college system, there is not justification to enact a similar policy.

8. Additionally, some might say that given the modest increases in tuition in recent years, the effect of a tuition freeze would not be enough to impact students' financial outcomes. Although tuition rates for the 2017-18 and 2018-19 academic years have not yet been determined, tuition in the 2015-17 biennium can be used as an example. If a tuition freeze had been in place during those years, tuition for a student in a post-secondary/vocational adult program would have been reduced by \$2.55 per credit in 2015-16, or approximately \$77 for the academic year for a full-time student enrolled in 30 credits, and \$4.50 per credit in 2016-17, or \$135 for a full-time student for the academic year. Based on the average number of credits taken by a post-secondary/vocational adult program student in 2015-16, equal to approximately 6.1 credits annually, the average student would have saved \$15.56 in 2015-16 and \$27.45 in 2016-17. For a student enrolled in a collegiate transfer program, tuition would have been reduced by \$3.40 per credit in 2015-16, or \$102 for a full-time student for the academic year, and \$6.00 per credit in 2017-18, or \$180 for a full-time student for the academic year. Based on data from 2015-16, a collegiate transfer student taking an average number of credits for that program, equal to approximately 9.3 credits annually, would have seen tuition reduced by \$31.62 in 2015-16 and \$55.80 in 2016-17.

9. A February 20, 2017 position paper prepared by the Wisconsin Student Government (WSG), an organization consisting of elected student representatives from each of the WTCS districts, opposed the tuition freeze. In the paper, students indicated concern that the tuition freeze would affect course and instructor availability, the quality of technology and equipment available

for students, and the size of waiting lists for high demand programs and courses. In a separate position paper, WSG students indicated support for increasing need-based financial aid.

10. Although tuition is a greater burden for low-income students, a tuition freeze would benefit both high-income and low-income students. If college affordability is a concern, it could be argued that a more targeted approach would be to provide additional funding for grants for low-income students such as the Wisconsin Grant, which provides need-based grants to resident students enrolled at least half-time. In 2015-16, approximately \$19.0 million in grant funding was awarded under the program to 22,810 WTCS students, with the average award equal to \$831. An additional 23,562 technical college students were eligible for Wisconsin Grants based on need, but did not receive grants due to insufficient funds. Another provision of the bill would increase Wisconsin grants for WTCS students by \$708,500 in 2017-18 and \$1,173,800 in 2018-19. The Committee may wish to consider increasing the appropriation for Wisconsin Grants by an additional \$5 million GPR annually rather than increasing general aid for the technical colleges by that amount.

ALTERNATIVES

A. Tuition Freeze

1. Approve the Governor's recommendation to prohibit WTCS districts from charging tuition or fees in 2017-18 or 2018-19 that exceed the tuition or fees charged in the 2016-17 academic year.
2. Delete provision.

B. General Aid Increase

1. Approve the Governor's recommendation to provide an additional \$5,000,000 GPR annually in general aid for technical colleges.

ALT B1	Change to	
	Base	Bill
GPR	\$10,000,000	\$0

2. Modify the Governor's recommendation by deleting the general aid increase for technical colleges and, instead, increasing the appropriation for need-based Wisconsin Grants for technical college students under the Higher Educational Aids Board by \$5,000,000 GPR annually.

ALT B2	Change to	
	Base	Bill
GPR	\$10,000,000	\$0

3. Delete the Governor's recommendation to provide a \$5,000,000 GPR annual increase in state general aid.

ALT B3	Change to	
	Base	Bill
GPR	\$0	- \$10,000,000

Prepared by: Christa Pugh