

Higher Educational Aids Board

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LFB Summary Items for Which an Issue Paper Has Been Prepared

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-	Reestimate Tuition Reciprocity Payment (Paper #432)



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May, 2019

Joint Committee on Finance

Paper #430

Wisconsin Grant Program (HEAB)

[LFB 2019-21 Budget Summary: Page 227, #2 thru #5]

CURRENT LAW

The Wisconsin grant program provides need-based grants to resident undergraduate students enrolled at least half-time at UW institutions, Wisconsin technical colleges, private nonprofit colleges and universities, and tribal colleges located in this state. The Wisconsin grant program is funded through four appropriations, one each for the four sectors. Individual grant amounts are calculated using formulas that are approved annually by HEAB. Students are eligible to receive grants for up to 10 semesters. Three of the appropriations are funded with GPR and the fourth appropriation for tribal colleges is funded with PR drawn from tribal gaming revenues.

GOVERNOR

Increase funding for Wisconsin grants for UW System, private, nonprofit college and university, technical college, and tribal college students by 5% annually as shown below.

	2018-19 Base	<u>Governor's Recommendation</u>	
		<u>2019-20</u>	<u>2020-21</u>
UW System	\$61,894,100	\$64,988,900	\$68,238,300
Change to Base		3,094,800	6,344,200
% Change to Prior Year		5.0%	5.0%
Private Colleges	\$28,504,600	\$29,929,900	\$31,426,400
Change to Base		1,425,300	2,921,800
% Change to Prior Year		5.0%	5.0%
Technical Colleges	\$22,971,700	\$24,120,300	\$25,326,300
Change to Base		1,148,600	2,354,600
% Change to Prior Year		5.0%	5.0%
Tribal Colleges	\$481,800	\$505,900	\$531,200
Change to Base		24,100	49,400
% Change to Prior Year		5.0%	5.0%

DISCUSSION POINTS

1. Table 1 shows the number of recipients, average grant amount, and total expenditures for the Wisconsin grant program in 2017-18 by sector.

TABLE 1

Wisconsin Grant Data for 2017-18

	<u>Recipients</u>	<u>Average Grant</u>	<u>Expenditures</u>
UW System	29,622	\$2,033	\$60,234,977
WTCS	23,619	824	19,469,805
Private Colleges	9,993	2,759	27,566,628
Tribal Colleges	333	1,224	407,567

2. Table 2 shows Wisconsin grant funding by sector from 2010-11 through 2018-19. As shown in Table 2, over that eight-year period, funding for students attending the UW System, private nonprofit colleges, and tribal colleges increased by 6.1%, while funding for WTCS students increased by 22.2%.

TABLE 2

Wisconsin Grant Funding by Sector from 2010-11 to 2018-19 (\$ in Millions)

	<u>UW System</u>		<u>Private Colleges</u>		<u>WTCS</u>		<u>Tribal Colleges</u>	
	<u>Amount</u>	<u>Chg.</u>	<u>Amount</u>	<u>Chg.</u>	<u>Amount</u>	<u>Chg.</u>	<u>Amount</u>	<u>Chg.</u>
2010-11	\$58.345		\$26.870		\$18.798		\$0.454	
2011-12	58.345	0.0%	26.870	0.0%	18.798	0.0%	0.454	0.0%
2012-13	58.345	0.0	26.870	0.0	18.798	0.0	0.454	0.0
2013-14	58.345	0.0	26.870	0.0	20.798	10.6	0.454	0.0
2014-15	58.345	0.0	26.870	0.0	18.798	-9.6	0.454	0.0
2015-16	58.345	0.0	26.870	0.0	19.298	2.7	0.454	0.0
2016-17	58.345	0.0	26.870	0.0	19.298	0.0	0.454	0.0
2017-18	60.488	3.7	27.857	3.7	22.506	16.6	0.471	3.7
2018-19	61.890	2.3	28.505	2.3	22.972	2.1	0.482	2.3
Cumulative Change								
Amount	\$3.545		\$1.635		\$4.174		\$0.028	
Percent	6.1%		6.1%		22.2%		6.2%	

3. During the eight years preceding those shown in Table 2, there were significant increases provided to Wisconsin grants (then called Wisconsin higher education grants). Funding for

UW System students increased by 167% from \$21.8 million in 2002-03 to \$58.3 million in 2010-11; funding for private nonprofit college students increased by 21.6% from \$22.1 million in 2002-03 to \$26.9 million in 2010-11; funding for technical college students increased by 26.4% from \$14.9 million to \$18.8 million; and funding for tribal college students increased by 12.4% from \$404,000 to \$454,200.

4. Because of the large increases in funding for UW System students provided from 2003-04 through 2010-11 compared to the other sectors, base funding for UW System students exceeds base funding for private nonprofit college students by 117% and for WTCS students by 167%. Because the Governor's recommendations would provide 5% annual increases to each sector's appropriation, the appropriation for UW System students would receive the largest dollar increase.

5. Data compiled by HEAB regarding the number of eligible applicants who did not receive funding in 2017-18 show that approximately \$27 million would have been needed to fully fund these waitlists for around 11,400 UW System students, \$20 million for 6,700 private nonprofit college students, \$18 million for 17,700 technical college students, and \$0.5 million for 300 tribal college students. In 2017-18, average unmet financial need for applicants for Wisconsin grants varied by sector, with unmet need averaging \$5,357 for UW System students, \$8,342 for WTCS students, and \$16,465 for private nonprofit college students.

6. Every two years, each sector submits a Wisconsin grant funding request to HEAB for the next biennium. The UW System requested an increase of \$3.25 million annually to allow the average grant award to return to the level (\$2,161) that was provided in 2009-10. WTCS requested an annual increase of \$23 million to address the 2016-17 waitlist of an estimated 23,145 students. The Wisconsin Association of Independent Colleges and Universities used Minnesota funding levels per student as a benchmark and requested an increase of \$34 million annually.

7. The Governor's budget recommendation would provide a 5% annual increase in funding for each sector. This approach treats the sectors equally in percentage terms. However, base funding levels for the appropriations do not align with waitlists or unmet student need by sector. One approach that could be used to gradually address the differing amounts of base level funding would be to allocate the proposed increase recommended by the Governor (\$17,289,300 GPR in the 2019-21 biennium) equally among the three appropriations for UW System, private nonprofit college, and WTCS students. Under this alternative, each sector would receive an increase of \$1,889,600 in 2019-20 and \$3,873,500 in 2020-21. This would treat the sectors equally in dollar terms, but would provide larger percentage increases to the appropriations for Wisconsin grant funding for WTCS and private nonprofit college students, and a smaller percentage increase to the appropriation for UW System students. Table 3 shows the funding shifts that would occur under this alternative.

TABLE 3

Funding Shifts--Alternative with Equal Dollar Increases

	<u>2019-20</u>	<u>2020-21</u>	<u>2019-21</u>
UW System			
Governor--5% Annual Increases	\$3,094,800	\$6,344,200	\$9,439,000
Alternative--Equal Dollar Increases	1,889,600	3,873,500	5,763,100
Change to Governor	-1,205,200	-2,470,700	-3,675,900
Private Colleges			
Governor--5% Annual Increases	\$1,425,300	\$2,921,800	\$4,347,100
Alternative--Equal Dollar Increases	1,889,600	3,873,500	5,763,100
Change to Governor	464,300	951,700	1,416,000
WTCS			
Governor--5% Annual Increases	\$1,148,600	\$2,354,600	\$3,503,200
Alternative--Equal Dollar Increases	1,889,600	3,873,500	5,763,100
Change to Governor	741,000	1,518,900	2,259,900

8. If the Committee wishes to provide additional funding for these need-based grants but at a smaller GPR cost, it could provide funding increases based on projected increases in the consumer price index (CPI). Recent projections indicate that CPI will increase by 2.2% in 2019 and in 2020. Using this approach, the Committee could provide 2.2% annual increases, rather than the 5% annual increases proposed by the Governor.

ALTERNATIVES

1. Adopt the Governor's recommendation to provide 5% annual increases in funding for each of the three GPR appropriations and one PR appropriation used for need-based Wisconsin grants to undergraduate students attending the UW System, private nonprofit colleges, Wisconsin technical colleges, and tribal colleges. Under this alternative, \$5,668,700 GPR and \$24,100 PR would be provided in 2019-20 and \$11,620,600 GPR and \$49,400 PR in 2020-21.

ALT 1	Change to	
	Base	Bill
GPR	\$17,289,300	\$0
PR	<u>73,500</u>	<u>0</u>
Total	\$17,362,800	\$0
GPR-REV	- \$73,500	\$0

2. Provide the same overall funding as under Alternative 1 but allocate the funding to provide equal dollar increases to each of the three GPR appropriations used for UW System, private nonprofit college, and Wisconsin technical college students (\$1,889,600 GPR in 2019-20 and \$3,873,500 GPR in 2020-21 for each appropriation). Provide \$24,100 PR in 2019-20 and \$49,400 PR in 2020-21 for tribal college students.

ALT 2	Change to	
	Base	Bill
GPR	\$17,289,300	\$0
PR	<u>73,500</u>	<u>0</u>
Total	\$17,362,800	\$0
GPR-REV	- \$73,500	\$0

3. Provide 2.2% annual increases in funding (consistent with projected increases in CPI) for each of the three GPR appropriations and one PR appropriation used for need-based Wisconsin grants to undergraduate students attending the UW System, private nonprofits colleges, Wisconsin technical colleges, and tribal colleges. Under this alternative, \$2,494,200 GPR and \$10,600 PR would be provided in 2019-20 and \$5,043,200 GPR and \$21,400 PR in 2020-21.

ALT 3	Change to	
	Base	Bill
GPR	\$7,537,400	- \$9,751,900
PR	<u>32,000</u>	<u>- 41,500</u>
Total	\$7,569,400	- \$9,710,400
GPR-REV	- \$32,000	\$41,500

4. Provide the same overall funding as under Alternative 3, but allocate the funding to provide equal dollar increases to each of the three GPR appropriations used for UW System, private nonprofit college, and Wisconsin technical college students (\$831,400 GPR in 2019-20 and \$1,681,100 GPR in 2020-21) for each appropriation. Provide \$10,600 PR in 2019-20 and \$21,400 PR in 2020-21 for tribal college students.

ALT 4	Change to	
	Base	Bill
GPR	\$7,537,500	- \$9,751,800
PR	<u>32,000</u>	<u>- 41,500</u>
Total	\$7,569,500	- \$9,710,300
GPR-REV	- \$32,000	\$41,500

5. Take no action.

ALT 5	Change to	
	Base	Bill
GPR	\$0	- \$17,289,300
PR	<u>0</u>	<u>- 73,500</u>
Total	\$0	- \$17,362,800
GPR-REV	\$0	\$73,500

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May, 2019

Joint Committee on Finance

Paper #431

Minority Teacher Loan Program (HEAB)

[LFB 2019-21 Budget Summary: Page 228, #8]

CURRENT LAW

The current minority teacher loan offer loans to minority students who meet all of the following requirements: (a) are state residents enrolled at least half-time as sophomores, juniors, or seniors in an institution of higher education located in Wisconsin; (b) are enrolled in programs of study leading to a teacher's license in a discipline identified as a teacher shortage area for Wisconsin by the federal Department of Education; and (c) have a grade point of a least 3.0 on a 4-point scale or the equivalent. An eligible student may be awarded up to \$10,000 in loans annually for up to three years, for a maximum of \$30,000.

Loans under the program are repaid at an annual interest of 5%. The Higher Educational Aids Board (HEAB) is required to forgive 25% of the principal and interest for each school year the recipient satisfies all of the following: (a) the recipient is employed by a public or private elementary or secondary school in the City of Milwaukee as a full-time teacher in a high-demand area related to the recipient's discipline; and (b) the recipient receives a rating of proficient or distinguished on the educator effectiveness system or the equivalent in a school that does not use the system.

GOVERNOR

Delete \$259,500 GPR annually and prohibit HEAB from making loans under the minority teacher loan program after the effective date of the bill. Specify that this provision would first apply to loan applications received by HEAB on the effective date of the bill. Require HEAB to administer the repayment and forgiveness of loans made under the program on or before the effective date of the bill.

DISCUSSION POINTS

1. In the 2015-17 budget (2015 Act 55), several modifications were made to the minority teacher loan program. Two changes under Act 55 expanded eligibility under the program: (a) eligibility for sophomores was added to that of juniors and seniors; and (b) up to \$10,000 per year for three years could be borrowed, rather than up to \$2,500 per year for two years. Two other changes under Act 55 made it more difficult to qualify for loans, including: (a) students had to enroll in a program of study leading to a teacher's license in a discipline identified as a teacher shortage area for Wisconsin by the federal Department of Education, rather than in a program leading to teacher licensure; and (b) the recipient must be employed by a public or private elementary or secondary school in the City of Milwaukee as a full-time teacher in a high-demand area related to the recipient's discipline, rather than be employed as a teacher in a school district located in Wisconsin in which minority students constitute at least 29% of the membership or in a school district participating in the inter-district pupil transfer (Chapter 220) program.

2. Since the program modifications were enacted in Act 55, student demand for minority teacher loans has declined significantly. HEAB made 68 awards totaling \$159,100 in 2013-14 and 59 awards totaling \$129,300 in 2014-15, the years immediately prior to the enactment of Act 55. After Act 55, there were seven awards totaling \$15,000 in 2015-16, three awards totaling \$12,100 in 2016-17, and one award for \$10,000 in 2017-18.

3. As an alternative to eliminating this program as recommended by the Governor, the Committee could modify current law to restore the pre-Act 55 eligibility requirements relating to obtaining a teacher's license and being employed in a larger number of school districts than just schools located in the City of Milwaukee. Under the pre-Act 55 teacher eligibility requirements, there were a significant number of loan awards being made by HEAB. It is possible that interest in the program would increase if students obtaining all types of teacher's licenses and working in a broader range of school districts were eligible. Under this option, schools in around 60 school districts would satisfy the 29% minority student threshold or participate in the Chapter 220 program.

4. Senate Bill 55 and a companion bill, Assembly Bill 51, were introduced in February, 2019. SB 55/AB 51 would broaden the definition of minority student to include an Alaskan native, a person of Asian or Pacific Island origin (rather than persons from Laos, Vietnam, or Cambodia), and a person whose ancestry includes two or more races. In addition, SB 55/AB 51 would allow the recipient to be employed by a public or private school as a full-time teacher in a high demand area related to the recipient's discipline in a school district located in Wisconsin in which minority students constitute at least 40% of the membership. Under this option, schools in around 25 school districts would satisfy the 40% minority student threshold.

5. The Governor's budget recommendation would eliminate this program under HEAB and create a categorical aid program under the Department of Public Instruction (DPI) to award competitive grants to school districts to recruit minorities to teach in the school district. This program would have a similar goal of increasing the number of minority teachers in the classroom, but would provide grants to school districts to this end, rather than forgivable loans to eligible minority teachers. This proposed DPI grants program will be addressed under that agency.

ALTERNATIVES

1. Approve the Governor's recommendation to delete \$259,500 annually and prohibit HEAB from making loans under the minority teacher loan program after the bill's effective date. Require HEAB to administer the repayment and forgiveness of loans previously made under the program.

ALT 1	Change to	
	Base	Bill
GPR	- \$519,000	\$0

2. Modify eligibility under the current minority teacher loan program as follows: (a) make students eligible if they are enrolled in programs of study leading to licensure as a teacher and are not currently licensed as teachers; and (b) offer loan forgiveness to students who agree to teach in a school district in Wisconsin in which minority students constitute at least 29% of the membership or in a school district in the inter-district pupil transfer program (Chapter 220). Specify that the HEAB would forgive 25% of the principal and interest on the loan for each school year the recipient teaches in an eligible school district and receives a rating of proficient or distinguished or the equivalent.

ALT 2	Change to	
	Base	Bill
GPR	\$0	\$519,000

3. Include the provisions of Senate Bill 55/Assembly Bill 51, which would broaden the definition of minority student to include an Alaskan native, a person of Asian or Pacific Island origin (rather than persons from Laos, Vietnam, or Cambodia), and a person whose ancestry includes two or more races. In addition, SB 55/AB 51 would allow the recipient to be employed by a public or private school as a full-time teacher in a high demand area related to the recipient's discipline in a school district located in Wisconsin in which minority students constitute at least 40% of the membership. As under current law, HEAB would forgive 25% of the principal and interest on the loan for each school year the recipient teaches in an eligible school district and receives a rating of proficient or distinguished or the equivalent.

ALT 3	Change to	
	Base	Bill
GPR	\$0	\$519,000

4. Take no action.

ALT 4	Change to	
	Base	Bill
GPR	\$0	\$519,000

Prepared by: Dave Loppnow



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May, 2019

Joint Committee on Finance

Paper #432

Reestimate Tuition Reciprocity Payment (HEAB)

CURRENT LAW

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 administering agencies total the tuition paid by students from each state attending universities and colleges in the other state and the reciprocity cost of educating those students. 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 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. However, under state law, any excess tuition paid by Minnesota students that is greater than what a similar resident student would have paid is not retained by the UW System; instead, it is deposited into the general fund as a departmental revenue. This tuition differential departmental revenue totaled \$15.6 million in 2016-17, while the payment to Minnesota totaled \$6.3 million, which resulted in a positive net effect on the general fund balance of \$9.3 million.

GOVERNOR

No provision. Base level funding of \$7,130,000 GPR annually would be provided in the sum sufficient appropriation for tuition reciprocity payments to Minnesota.

MODIFICATION

Reduce funding by \$630,000 GPR annually.

Explanation: The state's GPR payment under the reciprocity program is difficult to estimate. The payment depends on the number of students from each state attending under the program, the number of credits they take, and the resident tuition charged in each state. However, recent

payment history indicates that funding in the appropriation could be reestimated lower. Although more students continue to attend Minnesota institutions than Wisconsin institutions under reciprocity, over the last four years, the number of Wisconsin students enrolled in Minnesota institutions has declined significantly more than the number of Minnesota students attending Wisconsin institutions. This has reduced the state's payments to Minnesota. Over the last four years, payments have averaged \$6.5 million, with payments for 2016-17 and 2017-18 equaling \$6.3 million and \$5.5 million, respectively. This modification would use the four-year average amount of \$6.5 million to establish the estimated funding level for the appropriation.

	Change to	
	Base	Bill
GPR	- \$1,260,000	- \$1,260,000

Prepared by: Dave Loppnow

HIGHER EDUCATIONAL AIDS BOARD

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments
6	Wisconsin Covenant Grants
7	Wisconsin Grant Formulas
9	Supplemental Talent Incentive Grants
11	References to Individuals with Disabilities

LFB Summary Item Removed From Budget Consideration

<u>Item #</u>	<u>Title</u>
10	Student Loan Refinancing Study Committee