



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #385

Need Based Grant Programs (HEAB)

[LFB 2021-23 Budget Summary: Pages 313 and 314, #2 thru 6]

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 the Higher Educational Aids Board (HEAB). Students are eligible to receive grants for up to 10 semesters and over no more than a six-year period of time. Three of the appropriations are funded with GPR and the fourth appropriation for tribal colleges is funded with PR drawn from tribal gaming revenues. Table 1 shows 2020-21 funding amounts for these appropriations.

TABLE 1

Base Level Funding for Wisconsin Grants

	<u>2020-21 Base Funding</u>	<u>Fund Source</u>
UW System	\$61,894,100	GPR
Private Colleges	28,504,600	GPR
Technical Colleges	22,971,700	GPR
Tribal Colleges	481,400	PR

The minority undergraduate retention grant program provides need-based grants to minority resident undergraduate students enrolled at least half-time in Wisconsin technical colleges, tribal colleges, or private, nonprofit postsecondary institutions in Wisconsin. "Minority undergraduate"

student is defined as an undergraduate student who is African American, Native American, Hispanic, or from Cambodia, Laos, or Vietnam and admitted to the U.S. after December 31, 1975. Sophomores, juniors, and seniors are eligible for grants of up to \$2,500 a year for up to eight semesters.

DISCUSSION POINTS

1. Wisconsin grants are the primary state program for providing need based financial aid for college students. Increases in funding for the program have been provided in budgets during the terms of Governor Doyle and Governor Walker, and Governor Evers has proposed increases of 10% in 2021-22 and 20% in 2022-23, as changes to base level funding. A total of \$34,011,600 GPR and \$144,600 PR would be needed as a change to the base to fund those proposed increases in the 2021-23 biennium.

2. Table 2 shows the number of recipients, average grant amount, and total expenditures for the Wisconsin grant program in 2019-20 by sector.

TABLE 2

Wisconsin Grant Data for 2019-20

	<u>Recipients</u>	<u>Expenditures</u>	<u>Average Grant</u>
UW System	27,026	\$62,231,044	\$2,303
WTCS	27,818	21,879,139	787
Private Colleges	9,431	27,236,372	2,888
Tribal Colleges	319	455,747	1,429

3. Table 3 shows Wisconsin grant funding by sector from 2010-11 through 2020-21. As shown in Table 3, over that 10-year period, funding for students attending the UW System, private nonprofit colleges, and tribal colleges increased by approximately 6.1%, while funding for WTCS students increased by 22.2%.

TABLE 3

**Wisconsin Grant Funding by Sector from 2010-11 to 2020-21
(\$ 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
2019-20	61.890	0.0	28.505	0.0	22.972	0.0	0.482	0.0
2020-21	61.890	0.0	28.505	0.0	22.972	0.0	0.482	0.0
Cumulative Change								
Amount	\$3.545		\$1.635		\$4.174		\$0.028	
Percent	6.1%		6.1%		22.2%		6.2%	

4. Individual Wisconsin grant amounts are calculated using formulas which are approved annually by HEAB. Statutes require that these formulas account for expected parental and student contributions and are consistent with nationally approved needs analysis methodology. HEAB approves a total of five formulas, one each for UW students, technical college students, and tribal college students, and two for private, nonprofit college and university students. Statutes require HEAB to use different formulas for dependent and independent students attending private, nonprofit colleges and universities. Under these formulas, dependent students receive larger grants than independent students. The formulas for Wisconsin grants for private, nonprofit college and university students also include a calculation of the amount by which the student's tuition exceeds UW-Madison tuition. Applicants who attend institutions that charge higher tuition are eligible for larger awards.

5. Under the provisions of 2017 Act 59, if HEAB determines during a fiscal year that any formula used to award Wisconsin grants would need to be in order to expend the entire amount appropriated for those grants, the Board must submit the modified formula to the Joint Committee on Finance for approval through a 14-day review process. By law, the minimum Wisconsin grant that can be awarded is \$250 while the maximum grant awarded to UW, technical college, and tribal college students may not exceed \$3,150. There is no statutory maximum for Wisconsin grants awarded to private, nonprofit college and university students. Actual minimum and maximum grants vary by sector and are approved annually by the HEAB Board. Table 4 shows the established minimum and maximum Wisconsin grants by sector for 2018-19 through 2021-22.

TABLE 4

Minimum and Maximum Wisconsin Grant Awards by Sector, 2018-19 through 2021-22

	<u>Statutory</u>		<u>2018-19</u>		<u>2019-20</u>		<u>2020-21</u>		<u>2021-22</u>	
	<u>Min</u>	<u>Max</u>	<u>Min</u>	<u>Max</u>	<u>Min</u>	<u>Max</u>	<u>Min</u>	<u>Max</u>	<u>Min</u>	<u>Max</u>
Private, Nonprofit Colleges	\$250	None	\$1,000	\$3,228	\$1,000	\$3,300	\$1,000	\$3,650*	\$1,000	\$3,650
UW System	250	\$3,150	779	2,829	779	3,003	798	3,150	798	3,150
Technical Colleges	250	3,150	500	1,084	500	1,084	500	1,251**	500	1,251
Tribal Colleges	250	3,150	250	1,800	250	1,800	250	2,000	250	2,100

*Approved by JFC through passive review (was initially \$3,500).

**Approved by JFC through passive review (was initially \$1,084).

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 \$4.55 million GPR in the 2021-23 biennium based on a calculation using the 2019-20 waitlist of approximately 1,100 students. WTCS requested \$23.6 million GPR in the 2021-23 biennium to bring the average grant award to \$1,100. In addition, to assist part-time students, WTCS requested that eligibility be expanded to include students taking three credits and that the 10 semester/six year limit be replaced with a limit of 128 credits. The Wisconsin Association of Independent Colleges and Universities requested \$57.0 million GPR in the 2021-23 biennium to allow for increasing the maximum grant to \$7,000.

7. In 2019-20, average unmet financial need for need-based financial aid in Wisconsin varied by sector, with unmet need averaging \$5,767 for UW System students; \$7,308 for WTCS students; \$20,457 for private, nonprofit college students; and \$5,043 for tribal college students.

8. In the last four budgets, resident undergraduate tuition at the UW System has been frozen by law, so the tuition component of student costs for those resident undergraduate students has not changed. This tuition freeze relating to UW System students could be viewed as addressing affordability in that sector. However, in assessing financial need for a student, tuition may represent around 40% of costs for a student living away from their parents. In 2018-19, state and federal financial aid addressed 51.2% of financial need, so that 48.8% of financial need was unmet, and the cost of living as measured by the consumer price index is projected to increase by 2.1% in 2021 and 2.5% in 2022.

9. The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law on March 27, 2020, as well as the federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), part of the Consolidated Appropriations Act of 2021, signed on December 27, 2020, and the American Rescue Plan Act (ARPA), signed on March 11, 2021, provided funds for emergency financial aid grants to students. Under the CARES Act, student financial aid grants were required to be used for expenses related to the disruption of campus operations due to coronavirus. The CRRSA Act and ARPA allow funds to be used for emergency costs arising due to coronavirus, and any component of a student's cost of attendance. Eligible costs could include tuition, food, housing, health care, or childcare. Federal guidance issued on December 27, 2020, expanded CARES Act flexibility to match the requirements under the CRRSA Act and ARPA. As with the

other funds under the three acts, the grant period for the financial aid funding is one calendar year. As such, these funds would likely need to be distributed to students by Wisconsin higher educational institutions by the end of 2021-22. As shown in the following table, through the CARES Act and the CRRSA, UW System received a total of \$94.2 million; WTCS received \$40.2 million; private, nonprofit, universities received \$39.6 million; and tribal colleges received \$0.2 million in emergency student financial aid funds (proprietary schools such as colleges of cosmetology also received emergency student financial aid funding under the acts). While official allocations under the ARPA are not yet available, the American Council on Education estimates Wisconsin emergency student financial aid grant allocations as follows: UW System: approximately \$137.8 million; WTCS: approximately \$86.3 million; private and nonprofit colleges: approximately \$54.8 million; and tribal colleges: approximately \$780,000. As shown in Table 5, including the nearly \$280 million in estimated ARPA funds, Wisconsin higher educational institutions would expect to have received a total of nearly \$454 million in federal student emergency grant funds through the three acts.

TABLE 5

**Federal Student Emergency Financial Aid Grant Funds
under the CARES Act, CRRSA, and ARPA
(in Millions)**

	<u>CARES</u>	<u>CRRSA</u>	<u>ARPA Estimate*</u>	<u>Total</u>
UW	\$47.1	\$47.1	\$137.8	\$232.0
WTCS	20.1	20.1	86.3	126.5
Privates	19.8	19.8	54.8	94.4
Tribal	<u>0.1</u>	<u>0.1</u>	<u>0.8</u>	<u>1.0</u>
Total	\$87.1	\$87.1	\$279.7	\$453.9

*As estimated by the American Council on Education

10. As an example of the potential cost of providing funding increases for Wisconsin grants, providing 1% annual increases in funding would require \$3,412,400 GPR and \$14,500 PR in the 2021-23 biennium. Funding for 2% annual increases would total \$6,487,600 GPR and \$29,100 PR in the 2021-23 biennium. If funding increases would be provided, the Committee could provide equal percentage increases to each appropriation, or equal dollar increases, which in percentage terms would provide more support to the appropriations for private college and technical college students.

11. The minority undergraduate retention grant program is funded through a biennial GPR appropriation, with \$819,000 available per year under current law. By statute, half of all funds are allocated to the technical colleges and half to private institutions and tribal colleges. The Governor's proposal would provide an additional \$41,000 in 2021-22 and \$82,000 in 2022-23 bringing annual funding to \$860,000 in 2021-22 and \$901,000 in 2022-23 under the program. In fiscal year 2019-20, \$796,200 was expended with 471 technical college student awards and 258 private or tribal college awards. Through May 6, 2021, in fiscal year 2020-21, \$815,600 was expended with 484 awards to

technical college students and 233 awards to private or tribal students. While this biennial total expenditure of approximately \$1,611,800 is \$26,200 less than the total \$1,638,000 available, HEAB staff note that other grant programs saw much greater declines in demand due to the COVID-19 pandemic than this program. Over the 2017-19 biennium, HEAB expended \$1,637,300 out of the total \$1,638,000 appropriated.

ALTERNATIVES

A. Wisconsin Grant Program

1. Provide \$2,267,400 GPR and \$9,600 PR in 2021-22 and \$4,580,200 GPR and \$19,500 PR in 2022-23 to fund 2% annual increases as changes to the prior year in each sector's appropriation for Wisconsin grants, which would be comparable to projected increases in CPI.

ALT A1	Change to Base
GPR	\$6,847,600
PR	<u>29,100</u>
Total	\$6,876,700
GPR-REV	- \$29,100

2. Provide the same overall funding as under Alternative A1 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, rather than equal percentage increases.

ALT A2	Change to Base
GPR	\$6,847,600
PR	<u>29,100</u>
Total	\$6,876,700
GPR-REV	- \$29,100

3. Provide \$11,337,200 GPR and \$48,200 PR in 2021-22 and \$22,674,400 GPR and \$96,400 PR in 2022-23 to fund a 10% increase in 2021-22 and a 9.1% increase in 2022-23, as changes to the prior year in each sector's appropriation for Wisconsin grants.

ALT A3	Change to Base
GPR	\$34,011,600
PR	<u>144,600</u>
Total	\$34,156,200
GPR-REV	-\$144,600

4. Provide the same overall funding as under Alternative A3 but allocate the funding to provide equal dollar increase to each of the three GPR appropriations used for the UW System, private

nonprofit college, and Wisconsin technical college students, rather than equal percentage increases.

ALT A4	Change to Base
GPR	\$34,011,600
PR	<u>144,600</u>
Total	\$34,156,200
GPR-REV	-\$144,600

5. Take no action.

B. Minority Undergraduate Retention Grant Program

1. Provide \$16,400 in 2021-22 and \$16,700 in 2022-23 to fund 2% annual increases as changes to the prior year, which would be comparable to projected increases in CPI.

ALT B1	Change to Base
GPR	\$33,100

2. Provide \$41,000 in 2021-22 and \$82,000 in 2022-23 to fund a 5% increase in 2021-22 and a 4.8% increase in 2022-23 as changes to the prior year.

ALT B2	Change to Base
GPR	\$123,000

3. Take no action

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