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Joint Committee on Finance

Replacement Paper #482

Wisconsin Grants (Higher Educational Aids Board)

[LFB 2023-25 Budget Summary: Page 318, #6;
Page 319, #7; Page 319, #8; and Page 319, #9]

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 for each of 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.

DISCUSSION POINTS

1. Financial aid is awarded based upon a systematic evaluation of a student's financial need, using the guiding principle that students and their families are primarily responsible for paying for postsecondary education. Congress has established a needs analysis system, referred to as the "federal methodology," which determines how much students and their families are expected to contribute towards the cost of their education. To be eligible for federal financial aid, students and their parents are required to fill out the Free Application for Federal Student Aid (FAFSA). The federal Department of Education determines the amount that the student and his or her parents are expected to contribute to the cost of the student's education, known as the expected family contribution (EFC), based on information provided on the FAFSA. In calculating the EFC, the Department of Education takes into account family income, assets, number of children and other dependents in the household, number of family members enrolled in higher education, liabilities, and unusual financial circumstances. Students' earnings and savings are also considered. EFC is determined based on the amount of income

and assets that are deemed "discretionary." In general, EFC increases with the family's discretionary income. Students with the greatest financial need generally have EFCs of \$0. Although costs vary from school to school, the EFC remains the same.

2. In general, the student's financial need is the difference between the total cost of attending an institution and the amount the student and his or her family is expected to contribute, which is the EFC. The cost of postsecondary education varies greatly depending on individual student choices. First, costs will vary depending on the institution the student chooses to attend. In Wisconsin, the total cost of education, including tuition and fees, room and board, transportation, books and supplies, and miscellaneous and personal expenses, ranged from an average of \$12,730 at the tribal colleges to \$44,063 at the private, nonprofit colleges and universities in 2020-21, the most recent year for which full cost estimate data is available. The Wisconsin Technical Colleges and the University of Wisconsin System institutions fell in between with average costs of \$16,116 and \$19,708, respectively. Additional choices made by the student, such as whether to live on campus or at home, will also affect the total cost of education.

3. The federal FAFSA Simplification Act of 2019 streamlines the FAFSA form and replaces the expected family contribution calculation with a new calculation referred to as the Student Aid Index (SAI). The new SAI formula will include many of the same elements as the EFC, but will include some differences in how college costs such as transportation and housing are calculated, among other changes. For example, the formula will no longer take into account how many students within a family are in college concurrently. In addition, the SAI will generate a greater range of financial need outputs than the EFC. Currently, the lowest calculated EFC is \$0, meaning a student meets the need for full cost of college covered by aid. The lowest possible SAI will be -\$1,500, meaning that the lowest-income students will be eligible for aid beyond the college expenses that are included in the school's calculated cost of attendance. The Act is currently scheduled to become effective July 1, 2024, and would be first used for financial aid awards made for award year 2024-25.

4. According to the State Higher Education Executive Officers Association (SHEEO), lower SAI numbers will lead to a greater number of students being eligible for Pell Grants. On a national level, SHEEO calculated that in their data set, which included national and state data from the 2017-18 National Postsecondary Student Aid Study, almost 43% of students who were originally ineligible for Pell Grants would now qualify, an increase of over two million students. The federal Pell grant program is the largest source of need-based grant aid for Wisconsin resident undergraduate students. In 2021-22, 32.2% of all need-based grant aid reported by HEAB was provided through the Pell grant program. In that year, 62,421 Wisconsin students received Pell grants totaling \$236.1 million with an average award of \$3,783. In 2021-22, 6.1 million students received Pell grants nationwide. An increase of two million students would be an increase of approximately 33%. For Wisconsin, this increase could equate to approximately 20,000 additional students eligible for Pell grants. The Pell grant is intended to be the base upon which the student's financial aid package is built because, in general, students eligible for Pell grants are eligible for other forms of aid. As a result, increases in Pell grant eligibility could result in increases in Wisconsin Grant eligibility.

5. Wisconsin grants are the primary state program for providing need-based financial aid for college students. Under Assembly Bill 43/Senate Bill 70, each of the four grant programs would

be provided an increase of 5.0% in 2023-24 over 2022-23 and 5.0% in 2024-25 over 2023-24. Table 1 displays base funding and the amounts in the bill for grants for each sector.

TABLE 1

Wisconsin Grant Funding by Sector

	2022-23	<u>Assembly Bill 43/Senate Bill 70</u>		<u>Fund Source</u>
	<u>Base</u>	<u>2023-24</u>	<u>2024-25</u>	
UW System	\$61,894,100	\$64,988,900	\$68,238,400	GPR
Private Colleges	28,504,600	29,929,900	31,426,400	GPR
Technical Colleges	<u>22,971,700</u>	<u>24,120,300</u>	<u>25,326,400</u>	GPR
Subtotal GPR	\$113,370,400	\$119,039,100	\$124,991,200	
Tribal Colleges	<u>481,800</u>	<u>505,900</u>	<u>531,200</u>	PR
Total	\$113,852,200	\$119,545,000	\$125,522,400	
Increase Over Prior Year				
	GPR	\$5,668,700	\$5,952,100	
	PR	<u>24,100</u>	<u>25,300</u>	
	Total	\$5,692,800	\$5,977,400	

6. Table 2 shows the number of recipients, average grant amount, and total expenditures for the Wisconsin grant program in 2021-22 by sector. (The appropriations for the grant programs are biennial, so funds remaining in the appropriation at the end of the first year of the biennium may be carried over to the second year.)

TABLE 2

Wisconsin Grant Data for 2021-22

	<u>Recipients</u>	<u>Expenditures</u>	<u>Average Grant</u>
UW System	28,573	\$57,771,286	\$2,022
WTCS	22,446	19,325,372	861
Private Colleges	8,164	26,132,722	3,201
Tribal Colleges	229	324,794	1,418

7. Table 3 shows Wisconsin grant funding by sector from 2012-13 through 2022-23. Governor Evers proposed increases of 10% in 2021-22 and 20% in 2022-23 as changes to base level funding but no increases were provided in the 2021-23 biennium to any of the sectors. 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%. Inflation, as measured by the consumer price index for all urban consumers (CPI-

U), increased by 27.5% over that time period.

TABLE 3

**Wisconsin Grant Funding by Sector from 2012-13 to 2022-23
(\$ 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>
2012-13	\$58.345		\$26.870		\$18.798		\$0.454	
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
2021-22	61.890	0.0	28.505	0.0	22.972	0.0	0.482	0.0
2022-23	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%	

8. 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.

9. 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 modified 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 2020-21 through 2023-24.

TABLE 4

Minimum and Maximum Wisconsin Grant Awards by Sector, 2020-21 through 2023-24

	<u>Statutory</u>		<u>2020-21</u>		<u>2021-22</u>		<u>2022-23</u>		<u>2023-24</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	\$3,650*	\$1,000	\$3,650	\$500	\$3,800	\$500	\$4,100
UW System	250	\$3,150	798	3,150	798	3,150	854	3,150	854	3,150
Technical Colleges	250	3,150	500	1,251**	500	1,251	500	1,752***	500	1,752
Tribal Colleges	250	3,150	250	2,000	250	2,100	250	2,197	250	2,197

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

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

***Approved by JFC through passive review (was initially \$1,250).

10. Every two years, each sector submits a Wisconsin grant funding request to HEAB for the next biennium. The UW System requested an increase of \$24.5 million GPR in the 2023-25 biennium, including \$2.5 million beginning in fiscal year 2024-25 to reflect additional students eligible for the Wisconsin grant under the FAFSA Simplification Act. In addition, UW requested eliminating the current statutory cap of \$3,150, replaced with a maximum of 50 percent of in-state tuition at the comprehensive campuses. WTCS requested \$4.4 million GPR beginning in fiscal year 2024-25 to accommodate increased eligibility under the FAFSA Simplification Act. In addition, to assist part-time students, WTCS requested that eligibility be expanded to include students enrolled at least quarter time (taking three credits) and that the 10 semester/six year limit be replaced with a limit based on rate of enrollment, consistent with Pell Grant eligibility requirements. The Wisconsin Association of Independent Colleges and Universities (WAICU) requested \$25.5 million GPR in the 2023-25 biennium to reflect inflation and recent federal changes and provide for larger maximum grant awards. In addition, WAICU requested eliminating the current law requirements related to calculation of Wisconsin Grants awarded to students attending private, nonprofit colleges and replacing them with a formula more consistent with those of the other sectors.

11. The National Association of Student Financial Aid Administrators released an SAI modeling tool to assist institutions in modeling how the changes to the federal methodology under the FAFSA Simplification Act would impact school financial aid budgets. Using this tool, WTCS estimated an increase in the number of students eligible for Wisconsin grants of 2,723 (approximately 13%) and an increase in Wisconsin grants of \$4.4 million as a result of the increased eligibility. It should be noted that the change from EFC to SAI could impact students who are currently eligible for Pell and Wisconsin Grants (in some cases increasing their amount of estimated need if their EFC was \$0 and their SAI is now a negative number) as well as increasing the number of eligible students. To provide additional funding for the additional eligible students under the federal methodology changes, the Committee could consider an increase of 13% in the second year of the biennium for each sector. [Alternative 5]

12. Over the last 10 years, the amount of need-based aid provided by states has increased nationwide. State-funded, need-based grant aid increased by 43.5% over that time period, from \$6.5 billion in 2010-11 to \$9.4 billion in 2020-21. Expenditures for state-funded need-based grant programs in Wisconsin remained unchanged from 2010-11 to 2020-21 (and through 2022-23). Wisconsin is one of 24 states that has one or more merit-based aid programs for undergraduate students. Compared to other states that have merit-based aid programs, Wisconsin spends a relatively small amount on merit-based aid. Expenditures for the merit-based academic excellence and technical excellence scholarship programs totaled \$3.3 million in 2020-21, or 3.2% of HEAB's total student financial aid expenditures. By comparison, merit-based aid expenditures accounted for an average of 44.9% of all student aid expenditures in the 23 other states that had merit-based aid programs. In 2021-22, average unmet financial need for need-based financial aid in Wisconsin varied by sector, with unmet need averaging \$5,948 for UW System students; \$7,308 for WTCS students; \$17,699 for private, nonprofit college students; and \$7,038 for tribal college students.

13. In four of the last five budgets, resident undergraduate tuition at the UW System has been frozen by law, and the UW Board of Regents chose not to increase tuition in the 2022-23 school year, 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 only around 40% of costs for a student living away from their parents. In 2020-21, state and federal financial aid addressed 46.9% of financial need, so that 53.1% of financial need was unmet, and the cost of living as measured by the CPI-U increased by 4.7% in 2021 and 8% in 2022. The CPI is projected to increase by 3.9% in 2023 and 2.2% in 2024. Further, on March 30, 2023, the Board of Regents approved tuition increases for the 2023-24 school year for both residents and non-residents. For residents, the increase in tuition would average 5.1% and the total increase in tuition and segregated fees would average 4.9% across the system. For example, UW-Madison's tuition would increase by 4% to \$9,646 (from \$9,273), for a total cost of \$11,215 including segregated fees (from \$10,796). Tuition at UW-Oshkosh would increase to \$6,806 (from \$6,422) with fees increasing from \$1,373 to \$1,452, for total tuition and fees of \$8,258 (from \$7,795), an increase of 5.9%.

14. While no additional state funding was provided for the Wisconsin grants during the 2023-25 biennium, federal emergency financial aid funding was provided through three federal acts in response to the COVID-19 pandemic: the Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law on March 27, 2020; the 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. These acts provided a total of approximately \$454 million in funds for emergency financial aid grants to Wisconsin students at UW System, WTCS, private non-profit, and tribal colleges. According to the U.S. Department of Education, the most recently approved ARPA funds are generally required to be expended by June 30, 2023, with limited extensions.

15. As these additional federal funds are no longer available and student financial need continues to exceed available state and federal financial aid funds, the Committee could consider providing additional funding for Wisconsin grants. As an example of the potential cost of providing funding increases for Wisconsin grants, each 1% increase in funding would require \$1.1 million GPR

and \$4,800 PR annually. Funding for a 2% increase in 2023-24 and another 2% increase in 2024-25 would total \$6,847,600 GPR and \$29,100 PR in the 2023-25 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. [Alternative 1 or 2]

16. Finally, the Committee could maintain the base level of funding for the four grant programs in each year of the next biennium. [Alternative 7]

ALTERNATIVES

1. Provide \$2,267,400 GPR and \$9,600 PR in 2023-24 and \$4,580,200 GPR and \$19,500 PR in 2024-25 to fund 2% annual increases as changes to the prior year in each sector's appropriation for Wisconsin grants.

ALT 1	Change to Base
GPR	\$6,847,600
PR	<u>29,100</u>
Total	\$6,876,700

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, rather than equal percentage increases.

ALT 2	Change to Base
GPR	\$6,847,600
PR	<u>29,100</u>
Total	\$6,876,700

3. Provide \$5,668,700 GPR and \$24,100 PR in 2023-24 and \$11,620,800 GPR and \$49,400 PR in 2024-25 to fund a 5% increase in 2023-24 and a 5% increase in 2024-25, as changes to the prior year in each sector's appropriation for Wisconsin grants.

ALT 3	Change to Base
GPR	\$17,289,500
PR	<u>73,500</u>
Total	\$17,363,000

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 the UW System, private nonprofit college, and Wisconsin technical college students, rather than equal percentage increases.

ALT 4	Change to Base
GPR	\$17,289,500
PR	<u>73,500</u>
Total	\$17,363,000

5. Provide \$7,369,100 GPR and \$31,300 PR in 2023-24 and \$23,065,200 GPR and \$98,000 PR in 2024-25 to fund a 6.5% increase in 2023-24 and an additional 13% increase in 2024-25, as changes to the prior year in each sector's appropriation for Wisconsin grants.

ALT 5	Change to Base
GPR	\$30,434,300
PR	<u>129,300</u>
Total	\$30,563,600

6. Provide the same overall funding as under Alternative 5 but allocate the funding to provide equal dollar increases 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 6	Change to Base
GPR	\$30,434,300
PR	<u>129,300</u>
Total	\$30,563,600

7. Take no action.

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