

Higher Educational Aids Board

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<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments



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May 23, 2023

Joint Committee on Finance

Paper #480

Nurse Educators (Higher Educational Aids Board)

[LFB 2023-25 Budget Summary: Page 317, #2]

CURRENT LAW

2021 Act 58 provided \$5,000,000 GPR in 2022-23 in the Joint Committee on Finance supplemental appropriation for release to HEAB upon request and approval by the Committee for a Nurse Educators program. The Act also created a new, continuing appropriation under HEAB for the program, to which funding was transferred upon release by the Committee. The Act specified that the nurse educator program applies to students and graduates of institutions of higher education, defined as private, non-profit colleges located in Wisconsin, colleges within the Wisconsin Technical College System (WTCS), and UW System institutions or campuses. The program is required to provide: (a) fellowships to students who enroll in programs for degrees in doctor of nursing practice, doctor of philosophy in nursing, or master of science in nursing in an institution of higher education; (b) educational loan repayment assistance to recruit and retain faculty for nursing programs in an institution of higher education; and (c) postdoctoral fellowships to recruit faculty for nursing programs in an institution of higher education. Individuals who receive fellowships or loan repayment assistance are required to teach for three consecutive years in a nursing program at an institution of higher education.

The Joint Committee on Finance released the \$5.0 million GPR to HEAB on February 9, 2022.

DISCUSSION POINTS

1. Assembly Bill 43/ Senate Bill 70 would provide an additional \$5 million GPR annually for the nurse educators program. The Administration indicates the additional funding is necessary to address a continued nursing shortage, and support potential increased program demand.

2. In recent years, concern has been expressed about a growing shortage of qualified nurses in Wisconsin and in the country as a whole. As the population ages, demand for nursing and other health care services increases. Enrollment in baccalaureate nursing programs has grown in recent years; by 3.3% in 2021 according to the American Association of Colleges of Nursing (AACN). The increased visibility of the nursing profession during the COVID-19 pandemic may have further contributed to the recent boost in enrollment. At the same time, many nurses are themselves aging and retiring from the profession, and the number of new nurses entering the field may not be sufficient to both replace those who are retiring and meet increased demand. According to the Wisconsin Center for Nursing's 2020 registered nurse (RN) workforce survey, 31.9% of current nurses are age 55 and older, and the median age reported for Licensed Practical Nurses (LPN) in the 2021 LPN workforce survey was 47.

3. Educational requirements for nurses vary from LPN programs, which typically can be completed in about one year, to advanced degrees including doctoral programs, which may be required for nurses who want to work as advanced specialists, conduct research, or hold management positions. Typically, an advanced degree is necessary for faculty at nursing schools. Data from the Wisconsin Center for Nursing "2020 Wisconsin Nursing Education and Nurse Faculty Survey Report" indicates that the majority of nursing faculty hold a master's degree (62.0%) with an additional 14.2% holding a doctorate of nursing practice (DNP), and 12.1% holding a PhD in Nursing. The survey noted that compared to 2018, the total number of PhD faculty has declined, while the number of nurse faculty holding a DNP has risen.

4. In May, 2022, the Wisconsin Department of Workforce Development (DWD) released the Wisconsin Registered Nurse Supply and Demand Forecast 2020-2040 report. The report utilized three analytical models (demographics, linear regression, and a logarithmic model) to make the projections which, compared to a baseline 2020 registered nursing workforce of 67,900, predict a shortage ranging from 3,000 to 22,900 nurses by 2040. The demographically driven model assumes the nursing workforce is consistent with the demographics of the entire population, producing an estimated shortage of 22,900 nurses by 2040. The linear regression model assumes the supply of registered nurses will continue to grow at a steady rate. Under this model, supply of registered nurses would nearly keep pace with demand. However, the report authors note that this model is optimistic given demographic pressures constraining supply growth. Under this model, the shortage of nurses would be 3,000. The final model uses logarithmic regression to project supply based on historical data from the registered nurse survey. The model assumes continued growth but at a decreasing rate. Under this model, the shortage would be estimated at 19,800 by 2040. The authors note that this model is both statistically strong and more consistent with demographic workforce pressures.

5. The current nursing shortage is reflected in nursing educator programs as well; in fact, nursing educator shortages may contribute to reduced nursing student capacity. According to AACN's report on 2021-22 Enrollment and Graduations in Baccalaureate and Graduate Programs in Nursing, U.S. nursing schools were unable to admit 91,938 qualified applicants in 2021 due to insufficient faculty, lack of clinical sites and participating clinical supervisors, classroom space, and budget constraints. Further, according to the AACN survey, most nursing schools responding to the survey cited faculty shortages as a top reason for not accepting all qualified applicants. The 2020 Wisconsin nurse faculty survey found that lack of qualified faculty candidates and non-competitive faculty

salaries were identified by bachelors of science in nursing (BSN) program administrators as factors in limiting nursing student admissions. Post-licensure MSN programs and DNP programs identified lack of qualified faculty, budgeted positions, and clinical placement sites as factors limiting admissions. The survey report identified 69 vacant positions for full- and part-time faculty at nursing programs in Wisconsin, a vacancy rate of 4.6%. Of the vacancies, 41 (nearly 60%) were for full-time positions. In addition, the population of nursing educators is aging, and many educators are nearing retirement; the survey indicates that 43.4% of registered nurses working in nursing education programs are age 51 or older. Addressing a shortage of nursing faculty requires planning in advance because of the time required to earn an advanced degree. A doctoral program typically takes four to seven years to complete, and nurses often practice for a period of time before pursuing graduate education.

6. At the program's inception, Wisconsin had three institutions that provided a doctorate of nursing program – Marquette University, UW-Madison, and UW-Milwaukee; nine institutions that provided a doctor of nursing practice or doctor of philosophy in nursing program--Alverno College, Concordia College, Edgewood College, Marquette University, UW-Eau Claire, UW-Madison, UW-Milwaukee, UW-Oshkosh, and Viterbo University; and eight institutions that provided a master's degree in nursing/nurse educator program--Bellin College, Cardinal Stritch College, Carroll University, Concordia University, Edgewood College, UW-Eau Claire, UW-Milwaukee and UW-Oshkosh. These schools were included in the program for the initial fiscal year 2022-23. HEAB staff indicate that Bellin College and Herzing University have since added a DNP program and will be added as eligible for those portions of the program beginning in fall, 2023.

7. According to HEAB, the nurse educator fellowship awards are structured as forgivable loans similar to other forgivable loan programs administered by HEAB such as the teacher loan program and the teacher of the visually impaired loan program. To receive loan forgiveness under the nurse educator program, the recipient is required to do the following: (a) complete the program for which the loan was awarded; (b) obtain licensure from the Wisconsin Department of Safety and Professional Services Health Services (including successfully passing the NCLEX exam); and (c) teach for three years at an eligible Wisconsin institution. For each of the first two years that the nurse educator teaches nursing fulltime at an eligible Wisconsin institution, 25% of the loan is forgiven, and for the third year of teaching, 50% of the loan is forgiven. If the nurse educator does not teach fulltime, the amount forgiven would be proportional to the time spent teaching. Loan recipients who do not meet the requirements are required to repay the loan at an interest rate of 5%.

8. As noted, 2021 Act 58 provided \$5 million annually for the program beginning in fiscal year 2022-23. Through March, 2023, HEAB reports they have awarded \$3,320,000 for 92 awards including 40 awards for nursing students pursuing a DNP, 34 pursuing a MSN, and 18 pursuing a PhD as shown in the following table. In total, HEAB expects to award approximately \$3,380,000 by the end of fiscal year 2022-23, leaving \$1,620,000 in funds to carryover to fiscal year 2023-24 in the continuing appropriation.

Nurse Educator Awards Fiscal Year 2022-23 through March, 2023

<u>Institution</u>	<u>Award Amount</u>	<u># of Awards</u>
PhD/Philosophy of Nursing		
UW Madison	\$100,000	2
UW Milwaukee	275,000	6
Marquette	<u>500,000</u>	<u>10</u>
Subtotal	\$875,000	18
Doctor of Nursing Practice (DNP)		
UW Madison	\$140,000	4
UW Milwaukee	80,000	2
UW Eau Claire	260,000	6
UW Oshkosh	240,000	6
Alverno	140,000	4
Edgewood	360,000	10
Marquette	120,000	4
Viterbo	<u>160,000</u>	<u>4</u>
Subtotal	\$1,500,000	40
Master's Nursing		
UW Milwaukee	\$30,000	1
UW Eau Claire	30,000	1
UW Oshkosh	195,000	7
Cardinal Stritch	120,000	4
Carroll	180,000	6
Edgewood	30,000	1
Concordia	150,000	6
Bellin	<u>210,000</u>	<u>8</u>
Subtotal	\$945,000	34
Total	\$3,320,000	92

9. According to HEAB, demand for the nurse educator fellowships/loans was less than anticipated. One factor noted by HEAB staff is the limitation of eligible participants to students who are enrolled fulltime. While the statutes do not require eligible recipients to be enrolled fulltime, HEAB established this eligibility criteria as a program requirement. HEAB staff indicate that several part-time students have expressed interest in participating in the program, and HEAB is considering changing the program eligibility to include part-time students, which could increase program demand.

10. In addition to fellowships to nursing students, Act 58 also required the program to provide educational loan repayment assistance to recruit and retain faculty for nursing programs in an institution of higher education as well as postdoctoral fellowships to recruit faculty for nursing programs in an institution of higher education. HEAB indicates that these portions of the program are still being developed and are expected to be available in fall, 2023. A proposal that would have provided funding to support an increase in the number of nurse educators was developed by a coalition

of nursing school deans prior to the start of the 2019-21 biennial budget process. The proposal included a total of \$10 million for a two-pronged approach including: (1) providing forgivable grants for nurses pursuing advanced degrees to teach professional nursing in Wisconsin; and (2) providing loan forgiveness to recruit and retain nursing faculty. Given that the initial \$5 million in funding was utilized for undergraduate student fellowships (structured as forgivable loans), it could be argued an additional \$5 million is necessary to support the faculty recruitment and retention portion of the program. [Alternative 1]

11. However, demand for the nurse educator loans was less than expected and it is uncertain what demand will be for the faculty recruitment and retention portion of the program. Further, HEAB indicates they do not expect to implement this portion of the program until fall, 2023, making it unlikely that the faculty fellowships or loan repayment would be in place for the first semester of the 2023-24 school year. If the Committee wished to provide an additional amount for nurse educator faculty recruitment and retention, an additional \$2.5 million could be provided in fiscal year 2023-24. As noted, HEAB expects approximately \$1.6 million in carryover funds from fiscal year 2022-23 to be available in the nurse educators program continuing appropriation in fiscal year 2023-24 in addition to base funding for the program of \$5 million annually, for a total of \$6.6 million in fiscal year 2023-24. Providing an additional \$2.5 million in 2023-24 would bring the total estimated funding available over the 2023-25 biennium to \$14.1 million. This would provide additional funding to meet possible increased demand for the program which could be utilized in the first year, or carried over into the second year, but would not increase base funding for the program going into the 2025-27 biennium in case such increased demand did not materialize. [Alternative 2]

12. On the other hand, as noted, HEAB may expand the current nurse educator fellowship/loan program to part-time students, which could increase program demand. In addition, the faculty retention fellowship and loan forgiveness could also potentially be open to part-time students. In addition, HEAB staff note that some practicing nurses with valuable professional nursing experience who lack advanced degrees might also be recruited as nurse educators faculty under the loan repayment portion of the program. Providing \$2.5 million annually would increase base funding for the program to \$7.5 million annually. [Alternative 3]

13. Regarding the nurse educator recruitment portion of the program, HEAB noted there may be some potential tax issues with this program. If the funds are provided directly to the individual, HEAB staff indicate there may be federal and state income tax liability for the funds. HEAB is currently working to determine how best to administer this portion of the program and there may be a delay in implementation. In that case, along with the program's underspending in 2022-23, one could argue that no additional funding should be provided at this time. [Alternative 4]

ALTERNATIVES

1. Provide \$5,000,000 annually for the nurse educators program. (Base funding would increase to \$10 million annually).

ALT 1	Change to Base
GPR	\$10,000,000

2. Provide \$2.5 million in 2023-24 for the nurse educators program. (Base funding of \$5 million would remain available in 2024-25.)

ALT 2	Change to Base
GPR	\$2,500,000

3. Provide \$2.5 million annually for the nurse educators program. (Base funding would increase to \$7.5 million annually.)

ALT 3	Change to Base
GPR	\$5,000,000

4. Take no action.

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May 23, 2023

Joint Committee on Finance

Paper #481

Information Technology Modernization and Information Technology Personnel (Higher Educational Aids Board)

[LFB 2023-25 Budget Summary: Page 318, #3, and Page 318, #4]

CURRENT LAW

The Higher Educational Aids Board (HEAB) is the primary state agency responsible for the management and oversight of the state's student financial aid system. As such, HEAB administers most state-funded student financial aid programs and the Minnesota-Wisconsin tuition reciprocity program. The Board is an independent policy-making body composed of 11 members: the State Superintendent of Public Instruction; one member from each of the UW Board of Regents, the Wisconsin Technical College System (WTCS) Board, and a Board of Trustees of an independent college or university in this state; three financial aid administrators and three undergraduate students, including one each from an UW institution, Wisconsin technical college, and a private, nonprofit college or university in this state; and one member of the general public. Except for the State Superintendent, all Board members are appointed by the Governor. Student members of HEAB serve two-year terms while nonstudent members serve staggered, three-year terms. HEAB has a staff of 10.0 full-time equivalent employees including an Executive Secretary who is appointed by the Governor.

DISCUSSION POINTS

A. Information Technology Modernization

1. HEAB's current mainframe system was built in 1968 and utilizes outdated computer programming and database language. The current system also does not interface well with cloud-based technologies. Assembly Bill 43/Senate Bill 70 would provide \$712,900 GPR and 2.00 enterprise business analyst positions in 2023-24 and \$752,100 GPR in 2024-25 to support ongoing costs of HEAB's information technology (IT) modernization project. The modernization project

includes implementation of a new system for all of the programs HEAB administers that would use the Microsoft.net platform, an open source developer platform utilized for building many types of applications. According to HEAB, the new system will address changes in the calculation of financial need required under the federal Free Application of Federal Student Aid (FAFSA) Simplification Act of 2019, and improve portal capabilities to increase the Board's ability to interface with the federal government and higher educational institutions. HEAB worked with DOA Department of Enterprise Technology to develop a plan to modernize the system. HEAB staff note that other states are also upgrading their financial aid data systems as a result of the FAFSA Simplification Act, including Minnesota, which is contracting with Nelnet, a student loan servicing company. According to HEAB staff, they considered utilizing Nelnet, but found that Nelnet did not have the programming language necessary to accommodate HEAB's loan programs. After discussions with Iowa's financial aid program administration, who are contracting with Gold Bridge Partners, Inc., HEAB met with Gold Bridge and determined they would be able to fully meet HEAB's programming needs. Gold Bridge Partners, Inc. is a Maine-owned and operated technology company, specializing in custom software, database, and web application development.

2. According to the statement of work Gold Bridge prepared for HEAB, dated February 23, 2023, hereafter referred to as the contract, the objective of the contract includes creating a "modern, secure, and reliable Student Financial Aid System which enables administration of the following: conversion of historical data (dating back to 1968, most recently converted 2007-2008); student or applicant data (e.g. award history, eligibility, enrollment status; etc.); grant programs; scholarships (and repayment if service requirements are not met); loan programs (disbursement, forgiveness, and repayment); and reciprocity agreements." The contract provides a description of the many deliverables the system will provide. For example, the system must: (a) contain grant and scholarship disbursement reporting, eligibility, auditing, and payment functionality for users in various roles; (b) accommodate twenty or more programs each academic year with different eligibility criteria and administrative processes; and (c) be able to bring many different sources of data together including FAFSA data, Wisconsin Financial Aid application data, historical scholarship, grant, and loan repayment recipient information, and applicant data entered into the system by external authors such as high school counselors, and college financial aid administrators. The contract outlines target dates for system implementation with phase one being implemented by June 30, 2024; phase two by September 30, 2024; and phase three by November 30, 2024. However, prior to the completion of phase one, HEAB and Gold Bridge will be conducting extensive testing of the system while it is in development, referred to as the "production environment".

3. The following table shows initial development costs and ongoing costs for the modernization project. In 2022-23, HEAB is utilizing approximately \$3.2 million in federal American Rescue Plan Act (ARPA) funds (including estimated contingency funds) for the upfront development costs and initial software maintenance and support of the new system.

HEAB Software Modernization Costs

	<u>2022-23*</u>	<u>2023-24</u>	<u>2024-25</u>
Initial Costs			
Software Development & Customization (one-time fee)	\$894,600		
Software License Fee (one-time fee)	138,900		
Cloud Hosting Setup (one-time fee)	38,900		
Project Manager (2.0 yrs)	303,700		
IT Data Architect (2.0 FTE) (2 yrs)	786,200		
Financial Specialist (2.0 LTE) (2 yrs)	200,300		
Ongoing Costs			
Software Maintenance & Support (annual fee)	236,800	\$248,600	\$261,100
Cloud Hosting	180,000	189,000	198,500
IS Enterprise Business Analysts (2.0 FTE)		145,900	194,500
Contingency, upgrades, and/or additional enhancements	<u>400,600</u>	<u>129,400</u>	<u>98,000</u>
Total	\$3,180,000	\$712,900	\$752,100

*Through December 31, 2024

4. Assembly Bill 43/Senate Bill 70 would provide funding for the ongoing costs of the new system, as shown in the table. The contract specifies that Gold Bridge provide software maintenance and support services that can be purchased on an annual basis. The software maintenance and support services include services for telephone support, ongoing software support, qualified support personnel, development, and quality assurance, annual updates such as FAFSA data updates, research and correction of errors, and server administration. According to the contract, Gold Bridge uses a central issue tracking system, called Mantis. This issue tracking system will allow HEAB staff to login and view open, resolved, or currently in progress issues. Within the system, HEAB staff may prioritize issues to be resolved by Gold Bridge in the order identified by HEAB. In response, the contract states that Gold Bridge will use reasonable efforts to provide a correction or suitable workaround solution to reported errors. The contract specifies timelines for response to reported errors in order of severity. For example, in the case of a "critical" error, where specified software functions are consistently failing, resulting in critical impact to operations, and there is no known workaround for such errors, Gold Bridge will acknowledge HEAB's request within one hour of notification, respond to the request on the same day, and provide a resolution/workaround/patch, if possible, by the next business day.

5. The proposal also includes \$189,000 in 2023-24 and \$198,500 in 2024-25 for cloud hosting. According to the Gold Bridge contract, HEAB's student financial aid system will be hosted in Microsoft's cloud hosting environment, Azure. Under the contract, after an initial one-time cloud hosting setup fee of \$38,900, HEAB will pay an annual fee for cloud hosting services, billable upon contract start, which will include hosting and usage costs for a 12-month period. The initial fee is \$180,000, as shown in the table. The contract specifies that the renewal price may be increased by no more than 3% to 5% annually, unless Microsoft increases their Azure pricing. The amounts included in the bill include a built-in increase of 5% annually.

6. As noted above, HEAB currently has a staff of 10.0 FTE including 1.0 information technology position, the current mainframe system programmer. DOA provides network services, including email for HEAB. Any additional information technology services, such as programming and database management beyond the current programmer's workload, is currently done through outside contracting through Knowledge Services, vendor management services offered through DOA purchasing. According to HEAB, the new financial aid portal and administration software will result in hundreds of external users interacting with the system. Higher educational institutions will be able to provide data to HEAB electronically under the new system and will receive information from HEAB regarding grant awards more quickly. As shown in the table, funding provided under the bill would support ongoing costs including 2.0 business analysts to support the new system, perform data analysis, manage communications with external parties, and conduct testing. HEAB indicates that one of the proposed analyst positions would primarily focus on the external portal and data integration, testing and support, while the other analyst would be more internally focused on process improvements, program enhancements, data analysis, and reporting. Both positions would understand the full range of activities in order to effectively back each other up. HEAB would aim to have these positions filled by October, 2023, to ensure they are able to participate in development and testing of the new system. The bill would also provide one-time supply funds for computers, laptops, and additional monitors for the business analyst positions as well as 15% contingency funds. These would cover any additional costs not specifically outlined in the contract. For example, the contract specifies that the cost estimate for conversion of HEAB's existing legacy data does not include cleanup for any identified data anomalies.

B. Information Technology Personnel

7. Currently, HEAB's mainframe programmer is configuring the mainframe programs so that the system can run parallel with the new software created under the Gold Bridge contract. The bill would provide 1.0 project position (\$45,900 salary and \$20,700 fringe in 2023-24 and \$61,200 salary and \$27,600 fringe in 2024-25) so that the current programmer can train their replacement prior to retirement. HEAB indicates they will be running the current system in parallel with the new system for at least a year to ensure the data is consistent across systems. After that, the programmer would assist with HEAB's plans to archive the historical data, decommission the current legacy mainframe system, develop data integrations, and feed data warehouses. HEAB indicates they would expect to have this programmer for at least two years to accomplish these tasks.

8. Since 2019, three major new financial aid programs were created which are administered by HEAB: (a) 2019 Act 149 provided \$2.5 million GPR annually in a biennial appropriation for private institution grants for veterans and dependents; (b) 2019 Act 9, the 2019-21 biennial budget act, provided \$800,000 GPR annually beginning in 2020-21 for scholarships to health services professionals to practice in health shortage areas in Wisconsin; and (c) 2021 Act 58, the 2021-23 biennial budget act, provided \$5,000,000 GPR annually, beginning in 2022-23 for the nurse educators program. None of these acts included the provision of additional positions for administration of these grant programs, and HEAB indicates the programs have required increased grant administration and programming workload. For example, under 2019 Act 149, students may participate in either the program created under Act 149 or the veteran's remissions program from the UW-System or the technical colleges or both, but may not receive more than the longer of 128 credits or eight semesters

of tuition assistance in total. This requires HEAB to collect data from UW-System and the technical colleges regarding credits taken by students applying for the private institution grants for veterans and dependents. To perform the additional programming for the veteran's remissions program and the nurse educator program, HEAB utilized two private contractors on an hourly basis through Knowledge Services at an annual cost of \$40,800 GPR. HEAB indicates they would not expect to continue to incur contract costs from Knowledge Services after the new system is completed as any additional programming for the system would be completed by Gold Bridge under the contract.

9. Currently, of their 10.0 authorized positions, a 0.5 informational services systems development position is vacant. According to HEAB, this position was not filled last biennium due to required GPR lapses. The bill would provide an additional 0.5 position (\$28,700 salary and \$12,900 fringe annually) to bring this position to a full 1.0 position. This would address the increased workload, and hiring a full-time programmer could be easier than hiring a part-time position given tight labor market conditions.

10. Additionally, funding under the bill would include \$69,900 salary and \$31,800 fringe in 2023-24 which DOA indicates is intended to cover costs of training personnel related to the modernized portal and database system. However, it could be argued that training personnel could be done using existing salaried positions or that the 15% contingency funds provided under the modernization item could cover these increased costs. [Alternative B2].

ALTERNATIVES

A. Information Technology Modernization

1. Provide \$712,900 and 2.00 positions in 2023-24 and \$752,100 in 2024-25 to support ongoing costs of HEAB's information technology modernization project.

ALT A1	Change to Base	
	Funding	Positions
GPR	\$1,465,000	2.00

2. Take no action.

B. Information Technology Personnel

1. Provide \$209,900 and 1.50 positions (1.0 project position and 0.5 FTE) in 2023-24 and \$130,600 in 2024-25 for information technology (IT) personnel.

ALT B1	Change to Base	
	Funding	Positions
GPR	\$340,500	1.50

2. Provide \$108,200 and 1.50 positions and \$130,600 in 2024-25 for IT personnel, but do not include additional salary and benefits funding for the costs of training personnel.

ALT B2	Change to Base	
	Funding	Positions
GPR	\$238,800	1.50

3. Take no action.

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May 23, 2023

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.

Prepared by: Erin Probst

HIGHER EDUCATIONAL AIDS BOARD

LFB Summary Item for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
5	John R. Justice Student Loan Repayment Program

