



# Student Financial Aid

Informational  
Paper  
34

Wisconsin Legislative Fiscal Bureau

January, 2019



# Student Financial Aid

Prepared by

Erin Probst

Wisconsin Legislative Fiscal Bureau  
One East Main, Suite 301  
Madison, WI 53703  
<http://legis.wisconsin.gov/lfb>



## TABLE OF CONTENTS

Introduction .....	1
Needs Analysis.....	2
Sources of Financial Aid.....	4
Financial Aid Programs .....	7
Grant Programs .....	8
Federal Loan Programs.....	16
State Loan Programs.....	18
Scholarship Programs .....	20
Remissions.....	24
Other Programs .....	27
College Savings Programs .....	29
Tax Incentives.....	31
Financial Aid Package .....	33
Interstate Comparisons.....	35
Appendix: 2016-17 Summary of Primary Need-Based Grant Programs by State.....	37



# Student Financial Aid

## Introduction

Financial aid provided to students can be broken into two general categories: need-based aid, which is provided to students who are determined to be financially unable to afford the cost of attending a post-secondary institution; and non-need-based aid, which is provided either without regard to the student's financial need, such as in the case of certain federal loan programs, or on some other basis, such as academic merit. In 2016-17, the most recent year for which data is available, resident undergraduate students attending Wisconsin public and private, nonprofit postsecondary institutions at least half-time received financial aid awards totaling approximately \$1.6 billion. Of that amount, \$986 million, or 61.6%, was awarded through need-based aid programs. Nearly two-thirds of all resident undergraduates enrolled at least half-time in Wisconsin institutions received some form of need-based financial aid in that year.

There are four primary sources of student financial aid: (1) the federal government; (2) state programs; (3) higher education institutions; and (4) other private and community-based organizations. Of the need-based aid provided to resident undergraduate students in 2016-17, \$701.5 million was awarded through federal programs (71.4%); \$136.6 million was awarded through institutional programs (13.9%); \$115.4 million was awarded through state grant programs administered by the Higher Educational Aids Board programs (11.7%); \$13.6 million was awarded through other state programs (1.4%); and \$15.7 million was provided by private sources (1.6%).

The federal government determines the amount of need-based financial aid a student is eligible for and funds the largest grant, loan, and work-study programs that make up the financial aid "package" that a student receives. In determining a student's financial need, the resources of the student and his or her family are compared to the estimated cost of attending the chosen institution. The cost of attendance includes tuition and fees, room and board, transportation, books and supplies, and miscellaneous and personal expenses. The student's financial need is the cost of attendance that the current methodology assumes cannot be covered by student or family resources. "Unmet need" is the student's financial need less any financial aid provided. This "unmet need" can be met by additional parental contributions beyond what is assumed, student earnings apart from work-study aid, the assumption of additional non-need-based loans, or reductions in costs by the student.

Table 1 shows cost of attendance, financial need, need-based financial aid, and unmet need for Wisconsin resident undergraduate students for the most recent five years for which data is available. Between 2012-13 and 2016-17, average need-

**Table 1: Wisconsin Undergraduate Need-Based Financial Aid (\$ in Millions)**

	2012-13	2013-14	2014-15	2015-16	2016-17
Students Receiving Aid	154,984	150,566	149,003	139,844	129,005
Cost of Attendance	\$2,996.2	\$2,922.5	\$2,966.9	\$2,864.8	\$2,699.0
Financial Need	\$2,236.2	\$2,154.0	\$2,154.4	\$2,030.0	\$1,929.4
Need-Based Aid*	<u>1,146.6</u>	<u>1,109.0</u>	<u>1,126.9</u>	<u>1,049.4</u>	<u>986.0</u>
Unmet Need	\$1,089.6	\$1,045.0	\$1,027.5	\$980.6	\$943.4
Unmet % of Financial Need	48.7%	48.5%	47.7%	48.3%	48.9%
% Chg in Total Aid	4.2%	-3.3%	1.6%	-6.9%	-6.0%

\*Includes need-based Wisconsin covenant grants.

based aid per student increased by \$244; however, the average cost of attendance for students receiving aid increased by approximately \$1,589. Because increases in costs were greater than increases in aid, unmet student need increased. However, the average student and his or her family's ability to pay for his or her education increased by \$1,062 over the time period shown which reduced student need by the same amount. The increase in cost that was not covered by increases in aid or students' ability to pay resulted in an increase in average unmet need of \$282, from \$7,030 in 2012-13 to \$7,313 in 2016-17. In 2016-17, need-based aid met 51.1% of resident undergraduate student's financial need compared with 51.3% in 2012-13.

This paper presents an overview of state and federal financial aid programs. The first section discusses the methodology used to determine student financial need. The second section briefly describes the various sources of financial aid. The third section provides a more detailed description of each financial aid program including college savings programs and tax incentives. The fourth section discusses the process used to distribute financial aid. The final section provides interstate comparisons.

---

### **Needs Analysis**

---

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 or 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 amount one is expected to pay remains the same.

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 \$11,866 at the tribal colleges to \$39,132 at the private, nonprofit colleges and universities in 2016-17. The Wisconsin Technical Colleges and the University of Wisconsin System institutions fell in between with average costs of \$15,487 and \$19,152, 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.

Table 2 shows a sample student budget for a full-time resident undergraduate student as prepared by the financial aid office at UW-Milwaukee. This sample budget shows tuition and

fees relative to other student costs including room and board, transportation, and books and supplies.

**Table 2: Dependent Student Base Budget Estimates -- 2018-19 Academic Year (9 Months)**

	Living With Parent	Living Away From Home
Tuition and Fees	\$9,534	\$9,534
Books/Supplies	800	800
Room	0	6,602
Board	4,126	4,126
Transportation	1,370	1,370
Personal/Misc.	<u>2,000</u>	<u>2,000</u>
Total	\$17,830	\$24,432

Once a student's financial need is determined, the college where the student is enrolled or the college or colleges where the student has applied attempts to meet this need through an offer of a financial aid package. The financial aid package can be a combination of one or more types of assistance including grants, scholarships, loans, and employment, depending upon a student's financial need and eligibility for programs.

In most cases, to be eligible to receive aid from the general need-based programs discussed in this paper, a student must:

- Demonstrate financial need.
- Have a high school diploma, a general educational development (GED) certificate, or have completed a high school education in a home setting.
- Be enrolled in an eligible degree or certificate program.
- Be a U.S. citizen or an eligible noncitizen.
- Have a social security number.
- Make satisfactory academic progress in a degree or certificate-granting program as defined by the institution attended.
- Register with the Selective Service, if required.

Some of the programs described in this paper such as the federal Direct Loan and Direct PLUS Loan programs and the state-funded Wisconsin Grant program also require the student to be enrolled at least half-time, which is usually defined as at least twelve credits per year. This is not a requirement to receive federal aid under the Pell Grant, Supplemental Educational Opportunity Grant, Work-Study, and Perkins Loan programs. For students attending less than full-time, the cost of education is proportionately reduced, which in turn decreases a student's financial need and the amount of financial aid for which the student is eligible.

Another determination made when a student applies for financial aid is the student's dependency status. Dependency status is based on whether the student is considered a dependent of his or her parents or is considered financially independent. If a student is a dependent, the student must report his or her parents' income and other financial information on the FAFSA in addition to the student's own. This determination is necessary because most student aid programs are based on the assumption that parents have the primary responsibility for paying for their children's education, whether they choose to or not. According to federal guidelines, students who have access to parental support should not receive financial aid at the expense of students who do not. A student is considered independent for financial aid purposes if he or she is one or more of the following:

- At least 23 or 24 years of age depending on the student's birthdate.
- Married.
- A graduate or professional student.
- Someone with a dependent other than a spouse who receives more than half of his or her support from the student.
- Serving on active duty in the U.S. Armed Forces.

- A veteran.
- Both of the student's parents are deceased, the student has been in foster care, or the student has been a ward or dependent of the court at any time since the age of 13.
- An emancipated minor or in a legal guardianship.
- Has been determined to be an unaccompanied youth who is homeless or self-supporting and at risk of homelessness at any time since July 1, 2018 (for the 2019-20 academic year).

---

### Sources of Financial Aid

---

Financial aid is provided by a number of sources:

**Federal Government.** In 2016-17, 71% of the need-based financial aid to resident undergraduate students was provided by the federal government. This aid included \$315.3 million in grants, \$366.2 million in loans, and \$20 million in work study. Table 3 provides expenditure levels for need-based financial aid programs funded through the U.S. Department of Education. These include grants, such as the Pell and Supplemental Educational Opportunity Grant (SEOG); federal work study; and loans, such as subsidized Direct loans and Perkins loans. Table 3 also shows expenditures for the Bureau of Indian Affairs grant program which is administered by individual tribes. Since 2007-08, total need-based federal financial aid for Wisconsin undergraduate students has increased by 25% from \$559.6 million in that year to \$701.5 million in 2016-17.

However, between 2012-13 and 2016-17, federal need-based federal aid has declined by \$167.8 million primarily due to decreased Pell Grants (Pell Grant expenditures peaked nationwide in the 2010-11 academic year).

**Table 3: Federal Need-Based Financial Aid Programs (\$ in Millions)**

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Pell Grant	\$155.5	\$183.5	\$292.2	\$341.0	\$345.1	\$348.8	\$341.0	\$346.0	\$320.1	\$294.2
SEOG	13.9	14.1	14.4	13.4	13.1	14.2	14.2	14.8	14.7	13.9
Bureau of Indian Affairs	5.6	6.1	6.3	6.0	6.0	5.8	5.8	5.5	4.9	5.2
Academic Competitiveness Grant **	5.6	5.8	7.9	9.8	0.0	0.0	0.0	0.0	0.0	0.0
SMART Grant**	3.0	2.6	4.4	5.7	0.0	0.0	0.0	0.0	0.0	0.0
LEAP/SLEAP (formerly SSIG)	1.5	1.4	1.5	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Other federal grants	0.4	1.1	2.8	3.1	3.1	3.8	3.8	3.5	2.1	2.0
Work Study	17.5	19.0	22.3	20.9	21.7	22.7	20.9	19.8	20.0	20.0
Stafford Loan/SLS*	325.8	344.7	395.8	428.9	449.0	446.0	418.6	418.8	362.9	341.5
Perkins Loan	29.6	17.5	15.4	19.5	20.5	26.9	27.0	24.5	24.8	24.3
Other federal loans	<u>1.2</u>	<u>1.0</u>	<u>1.0</u>	<u>1.1</u>	<u>1.2</u>	<u>1.1</u>	<u>1.3</u>	<u>1.4</u>	<u>1.5</u>	<u>0.4</u>
<b>Total</b>	<b>\$559.6</b>	<b>\$596.8</b>	<b>\$764.0</b>	<b>\$851.0</b>	<b>\$859.7</b>	<b>\$869.3</b>	<b>\$832.6</b>	<b>\$834.3</b>	<b>\$751.0</b>	<b>\$701.5</b>
Percent Change	12.6%	6.6%	28.0%	11.4%	1.0%	1.1%	-4.2%	0.2%	-10.0%	-6.6%

\* Through 2009-10, most Stafford Loans were made through the Federal Family Education Loan program. Beginning in 2010-11, all Stafford loans are made through the Direct Loan Program.

\*\* These programs provided grants to Pell grant recipients who met additional academic requirements. Both programs ended after the 2010-11 academic year.

In addition, the federal government provides non-need-based financial aid, primarily in the form of loans. In 2016-17, resident undergraduate students received a total of \$319.9 million in non-need-based federal financial aid. Of this amount, 78% was provided in the form of Direct Unsubsidized loans and 18% was provided in the form of Direct PLUS loans made to parents. Due to limits on the amount of loans a student can receive through the need-based Direct Subsidized loan program, students may receive loans through both that program and the non-need-based Direct Unsubsidized loan program.

**Higher Educational Aids Board (HEAB).** The Higher Educational Aids Board 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.

HEAB awards most state-funded need-based grants based on a student's EFC as calculated by the federal Department of Education. Table 4 shows a history of funding for HEAB-administered need-based financial aid programs. Non-need-based grants awarded through the Wisconsin covenant scholars grant program are excluded from the amounts shown in the table.

In general, HEAB-administered aid programs are supported with state, general purpose revenue (GPR) dollars. Exceptions include the Indian student assistance grant program and the Wisconsin Grant for tribal college students, both of which are funded with tribal gaming revenues. In addition, the Wisconsin Grant for UW students was

**Table 4: HEAB Need-Based Programs**

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Wisconsin Grant								
UW Students	\$59,579,159	\$58,322,447	\$58,296,335	\$58,332,253	\$58,317,618	\$55,694,673	\$60,973,403	\$60,234,977
Private Colleges and Universities	27,864,140	26,613,208	27,094,691	27,686,300	26,339,977	26,463,518	26,161,951	27,566,628
WTCS Students	20,301,301	18,325,306	19,221,127	20,156,173	19,464,095	18,959,416	18,957,917	19,469,805
Tribal College Students	468,918	441,963	465,952	445,653	451,759	434,986	443,717	407,567
Wisconsin Covenant*	NA	3,137,810	5,647,138	7,702,383	9,604,857	9,574,945	6,575,297	4,553,377
Talent Incentive Grant**	5,127,749	2,605,544	4,825,995	4,684,089	3,696,551	3,584,576	3,816,481	3,826,717
Indian Student Assistance Grant	650,555	642,530	721,021	684,762	724,825	700,358	630,576	623,744
Handicapped Student Grant	121,860	116,100	108,194	89,671	88,900	94,165	84,884	78,949
Minority Retention Grant	802,584	816,372	818,423	809,702	827,231	818,999	817,250	771,011
Nursing Student Loan Program	<u>440,558</u>	<u>437,000</u>	<u>437,088</u>	<u>443,974</u>	<u>443,215</u>	<u>431,234</u>	<u>432,050</u>	<u>423,638</u>
TOTAL	\$115,356,824	\$111,458,280	\$117,635,964	\$121,034,960	\$119,959,028	\$116,756,870	\$118,893,526	\$117,956,413
Expenditure Change	12.0%	-3.4%	5.5%	2.9%	-0.9%	-2.7%	1.8%	-0.8%

N.A. Not applicable

\*Some Wisconsin Covenant grants are not awarded on the basis of need. The amounts shown for 2011-12 through 2017-18 exclude these non-need-based grants.

\*\*Does not include federal Leveraging Educational Assistance Partnership (LEAP) Supplemental (SLEAP) monies.

partially funded with program revenue (PR) transferred from the UW System's auxiliary enterprises appropriation in 2003-04, 2004-05, and 2009-10 and fully funded with PR transferred from the UW systemwide tuition balance in 2013-14.

In addition to the need-based programs shown in Table 4, HEAB administers the academic excellence scholarship (AES) program and the technical excellence scholarship program, both of which provide merit-based scholarships, and three non-need-based loan programs. Table 5 shows 2017-18 program expenditures and the number of students receiving aid for all HEAB financial aid programs. The total expenditure amount shown in Table 5 differs from that shown in Table 4 for 2017-18 due to the inclusion of the non-need-based programs and non-need-based grants made through the Wisconsin covenant program.

**University of Wisconsin System and Other State Agencies.** The UW System currently administers several state-funded financial aid programs

and one state-funded loan repayment program. The three largest programs administered by the UW System are the Lawton minority undergraduate retention grant, the advanced opportunity program, and the tuition assistance grant. In addition, the Department of Military Affairs, the Department of Public Instruction, the Department of Veterans Affairs, and the Division of Vocational Rehabilitation Services in the Department of Workforce Development each administer financial aid programs for select student groups.

**Institutional Aid.** Individual institutions provide need-based grants, scholarships, and need- and non-need-based loans and employment to enrolled students. Institutional financial aid programs are funded with moneys allocated by the institution and are separate from state and federal programs. In 2016-17, Wisconsin's independent colleges and universities provided \$298 million in institutional aid to their Wisconsin resident undergraduate students, including \$110.8 million in need-based grants, \$169.2 million in scholarships, \$8.3 million in tuition waiver or exchange benefits, \$5.1 million in non-need-based employment, and \$4.6 million in other forms of aid. Institutional aid is a particularly important source of financial aid for resident undergraduates attending private, nonprofit colleges and universities. At those institutions, institutional financial aid accounts for 52% of all financial aid for resident undergraduate students compared to 6% at UW institutions and less than 1% at the technical colleges. In addition, institutionally-funded need-based grants account for 59% of all need-based grants to resident undergraduate students at private, nonprofit colleges and universities.

**Table 5: HEAB -- 2017-18 Program Expenditures**

	Number of Awards	Total Expended	Average Award
Wisconsin Grant			
UW Students	29,622	\$60,234,977	\$2,033
Private, Non-Profit Colleges and Universities	9,993	27,566,628	2,759
WTCS Students	23,619	19,469,805	824
Tribal College Students	333	407,567	1,224
Wisconsin Covenant Scholars	8,190	5,470,831	668
Talent Incentive Grant	3,020	3,826,717	1,267
Academic Excellence Scholarship	2,690	2,911,427	1,082
Indian Student Grant	679	623,744	919
Technical Excellence Scholarship	784	832,085	1,061
Minority Student Grant			
Private College Students	239	390,215	1,633
WTCS Students	531	380,796	717
Handicapped Student Grant	50	78,949	1,579
Minority Teacher Loan	1	10,000	10,000
Nursing Loan Program	178	423,638	2,380
Primary Care and Psychiatry	1	20,800	20,800
School Leadership Loan Program	20	125,000	6,250
Teacher of the Visually Impaired	6	47,000	7,833
Teacher Education Loan	<u>22</u>	<u>196,178</u>	8,917
<b>TOTAL</b>	<b>79,978</b>	<b>\$123,016,357</b>	<b>\$1,538</b>

UW institutions provided a total of \$48.3 million in institutional aid to resident undergraduate students in 2016-17. This amount included \$24.4 million in need-based grants, \$21.8 million in scholarships, \$1.2 million in matching AES monies, and \$0.9 million in non-need-based loans.

The technical colleges provided \$4.8 million in institutional aid to their students in 2016-17 including \$2.67 million in scholarships, \$0.7 million in non-need-based employment, \$0.6 million in non-need matching funds, \$0.5 million in need-based grants, and \$0.3 million in other types of assistance.

**Private Sources.** Students may receive financial aid through private sources such as community organizations, church groups, alumni associations, and private banks. Due to the manner in which many of these funds are distributed, it is difficult to estimate the total amount of privately-funded financial aid awards.

The privately-funded Fund for Wisconsin Scholars (FWS) provides need-based grants to students who have graduated from Wisconsin public high schools and are enrolled in UW institutions or Wisconsin technical colleges. Students enrolled at two-year institutions are eligible to receive annual grants of up to \$1,800 while students enrolled in four-year institutions may receive annual grants of up to \$4,000. Grants totaling \$7,595,000 were provided to 2,688 UW students and \$429,300 was provided to 330 technical college students in 2016-17. These grants are awarded through the financial aid office of the institution that the student attends. FWS is endowed by a \$167 million gift from John and Tashia Morgridge made in December, 2007.

---

### Financial Aid Programs

---

Financial aid may be provided in a number of

forms:

**Grants** are direct forms of financial aid that are usually provided on the basis of financial need and do not have to be repaid. In 2016-17, state, federal, institutional, and private grant programs accounted for 58.9% of need-based financial assistance to resident undergraduates.

**Loans** are financial aid that, in most cases, must be repaid. Loans made through state and federal programs generally offer lower interest rates than are available on the private market. Some loans can have their principal forgiven or repaid if the recipient adheres to certain conditions, such as becoming a teacher in an inner city school or a physician in a medically underserved area. In 2016-17, student loan programs accounted for 37.3% of need-based and 60% of non-need-based financial assistance for resident undergraduates. Loans through federal programs accounted for 99.8% of all need-based loans and 80.7% of all non-need-based loans.

**Scholarships** are grants that are awarded on some basis other than financial need such as academic merit; athletic, musical, or other talents; certain achievements; or status as a member of a particular group such as being from a certain city, belonging to a certain ethnic group, or being the member of a certain religious affiliation.

**Remissions** are awarded to students under certain conditions. Students who receive a remission are not charged some portion of tuition and the institution granting the remission forgoes that revenue.

**Reciprocity agreements** enable a student from one state to attend a public institution in another state without having to pay nonresident tuition. A reciprocity agreement between Minnesota and Wisconsin covers all public institutions in both states. In addition, individual technical colleges have reciprocity agreements with institutions located in Michigan, Illinois, and Iowa

and UW-Marquette has a reciprocity agreement with two community colleges located in Michigan. Additional information on reciprocity programs is provided in the Legislative Fiscal Bureau's informational paper entitled, "Education and Income Tax Reciprocity Agreements."

Different financial aid programs accommodate a range of different policy objectives. Need-based grant programs are generally used to increase access and to help equalize participation in higher education across income levels. Merit-based aid, such as the academic excellence scholarship program in Wisconsin, encourages better high school performance and talent retention. Loans, primarily offered by the federal government, help students and families bridge the financial gap between present and future earnings. Other programs, such as nursing and teacher loans, target specific professions or student populations for grants or loans.

The following section provides descriptions of financial aid programs available to Wisconsin students. Unless otherwise indicated, program data is for Wisconsin resident undergraduate students attending college in this state.

## Grant Programs

**1. Pell Grant (Federal).** The Pell grant program is the largest source of need-based grant aid for resident undergraduate students. In 2016-17, 50.8 % of all need-based grant aid reported by HEAB was provided through the Pell grant program. In that year, 79,969 Wisconsin students received Pell grants totaling \$294.2 million with an average award of \$3,680.

Students who receive Pell grants tend to be from the neediest households. In 2016-17, 68% of all Pell grant recipients came from families with annual incomes of less than \$30,000; 98% came from families with incomes of less than \$60,000. 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. In recent years, the Pell grant program has been administered like an entitlement program in that all eligible students have received the full amount of the grant as determined by their cost of attendance, expected family contribution (EFC), and enrollment status.

In 2018-19, undergraduate students enrolled full-time with EFCs of less than \$5,486 are eligible to receive grants ranging from \$652 to \$6,095 annually. For students enrolled less than full-time, grants are reduced proportionately. To maintain eligibility for Pell grants, students must demonstrate satisfactory academic progress as defined by the institution attended.

Table 6 shows the number of resident students who received Pell grants in each of the past ten years and the average amount of those awards. Over that period of time, the number of Pell grant recipients increased by 27% and the average grant increased by 53%. The number of students receiving grants and the average award both increased significantly in 2009-10 and 2010-11 as the result of changes made to the program under the 2009 federal American Recovery and Reinvestment Act (ARRA). The number of Wisconsin students receiving Pell grants peaked in 2011-12 and has declined since then.

**Table 6: Pell Grants**

	Number of Recipients	Total Grants	Average Award
2007-08	63,081	\$151,970,601	\$2,410
2008-09	65,577	183,487,340	2,798
2009-10	86,353	292,167,595	3,383
2010-11	98,998	341,047,217	3,445
2011-12	103,088	345,110,952	3,348
2012-13	102,840	348,818,047	3,392
2013-14	96,699	341,015,316	3,527
2014-15	95,674	346,008,407	3,617
2015-16	86,979	320,104,449	3,680
2016-17	79,969	294,257,553	3,680

**2. Wisconsin Grant (HEAB).** 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. Students are eligible to receive grants for up to 10 semesters.

In 2017-18, 63,567 students received Wisconsin Grants totaling \$107.7 million across all four sectors. Table 7 shows the number of students who received Wisconsin Grants, excluding tribal college students, the total amount of those grants, and the average grant by sector for 2008-09 through 2017-18.

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 8 shows the minimum and maximum Wisconsin Grants by sector for 2018-19.

**Table 8: Minimum and Maximum Wisconsin Grant Awards by Sector, 2018-19**

	Minimum	Maximum
Private, Nonprofit Colleges	\$1,000	\$3,228
UW System	779	2,829
Technical Colleges	500	1,084
Tribal Colleges	250	1,800

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. Under the provisions of 2017 Act

**Table 7: Wisconsin Grants\***

	UW System			Wisconsin Technical Colleges			Private, Nonprofit Colleges			Total
	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award	
2008-09	27,162	\$54,986,218	\$2,024	22,041	\$18,022,956	\$818	10,613	\$26,567,410	\$2,503	\$99,576,584
2009-10	25,423	54,977,370	2,163	18,207	16,686,129	916	10,300	25,909,981	2,516	97,573,480
2010-11	30,364	59,579,159	1,962	21,257	20,301,301	955	11,020	27,864,140	2,529	107,744,600
2011-12	30,692	58,322,447	1,900	19,472	18,325,306	941	10,510	26,613,208	2,532	103,260,961
2012-13	31,769	58,296,335	1,835	22,470	19,221,127	855	10,778	27,094,691	2,514	104,612,153
2013-14	32,898	58,332,253	1,773	23,969	20,156,173	841	10,884	27,686,300	2,544	106,174,726
2014-15	32,886	58,317,618	1,773	24,275	19,464,095	802	10,306	26,339,977	2,556	104,121,690
2015-16	31,751	55,694,673	1,754	22,810	18,959,416	831	10,637	26,463,518	2,488	101,117,607
2016-17	30,148	60,973,403	2,022	22,959	18,957,917	826	10,203	26,161,951	2,564	106,093,271
2017-18	29,622	60,234,977	2,033	23,619	19,469,805	824	9,993	27,566,628	2,759	107,271,410

\*Excludes Wisconsin Grant for tribal college students.

\*\*Wisconsin Grants were known as Wisconsin Higher Education Grants and Wisconsin Tuition Grants prior to the 2013-14 fiscal year.

59, if HEAB determines during a fiscal year that any formula used to award Wisconsin Grants would need to be modified during the fiscal year 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.

The Wisconsin Grant program is funded through four appropriations. There are three separate GPR appropriations for UW students, private nonprofit college and university students, and technical college students. There is a fourth PR appropriation funded with tribal gaming revenues for tribal college students.

Table 9 shows base level funding for each appropriation in 2016-17, budgeted amounts for 2017-18 and 2018-19 under 2017 Act 59, as well as the change to prior year for each appropriation.

In administering the program, HEAB commits funds to more students than it can provide grants to with the amount of funding appropriated. The amount by which HEAB overawards Wisconsin

Grant funding is based on the percentage of students expected to decline the grant. Initial awards to private, nonprofit college and university students are limited by statute to 122% of the amount appropriated.

**3. Supplemental Educational Opportunity Grant (Federal).** The Supplemental Educational Opportunity Grant (SEOG) program provides need-based grants of up to \$4,000 per year, or up to \$4,400 if the student is participating in an approved study abroad program, to undergraduate students with the lowest EFCs, with priority given to Pell Grant recipients. SEOG is a campus-based program and funds are allocated to participating institutions based on the amount received by the institution in 1999. Additional funds, when available, are allocated based on the need of the students enrolled in the institution. The SEOG program is administered by financial aid officers at each institution and awards are based on student financial need and the availability of funds. In 2016-17, SEOG awards of \$13.9 million were provided to 23,940 Wisconsin students, for an average of \$579 per grant.

**4. Ben R. Lawton Minority Undergraduate Grant (UW System).** The Lawton Grant program provides grants of up to \$4,000 annually to resident minority undergraduate students enrolled at UW institutions. To be eligible for a Lawton grant, a student must be enrolled full-time, have completed at least 24 credits, and have financial need. Since new freshmen are not eligible for Lawton grants, this is a retention, rather than a recruitment, program. Students may receive grants through the Lawton program for up to four academic years. Lawton grants are provided as "last dollar" grants, which means that they are awarded after all other grant aid for which the student is eligible has been determined. "Minority undergraduate" student is defined by statute 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.

**Table 9: 2017 Act 59 Wisconsin Grant Funding**

	2016-17	2017-18	2018-19
<b>UW System</b>	\$58,345,400	\$60,487,500	\$61,894,100
Change to Prior Year			
Amount		\$2,142,100	\$1,406,600
Percent		3.7%	2.3%
<b>Private Colleges</b>	\$26,870,300	\$27,856,800	\$28,504,600
Change to Prior Year			
Amount		\$986,500	\$647,800
Percent		3.7%	2.3%
<b>WTCS</b>	\$19,297,900	\$22,506,400	\$22,971,700
Change to Prior Year			
Amount		\$3,208,500	\$465,300
Percent		16.6%	2.1%
<b>Tribal Colleges</b>	\$454,200	\$470,900	\$481,800
Change to Prior Year			
Amount		\$16,700	\$10,900
Percent		3.7%	2.3%

In 2017-18, 2,863 students received a total of \$6.6 million through the Lawton program averaging \$2,296 per grant. Funding for the Lawton program is allocated annually by the Board of Regents from the UW System's largest GPR appropriation.

#### **5. Tuition Assistance Grants (UW System).**

This program provides need-based grants to resident undergraduate students. The funding for the program was initially provided to the UW System under 2009 Act 28 for tuition increase grants to resident undergraduate students whose family incomes were less than \$60,000 and who did not receive Wisconsin Grants. Eligibility for tuition increase grants was limited by statute to students who were enrolled in UW System institutions in 2010-11 and maintained continuous enrollment. As those students left UW institutions, the UW System used any remaining funds to provide grants to students who were on the Wisconsin Grant waitlist and then to provide need-based grants to resident undergraduate students through the tuition assistance grant program. Tuition assistance grant funding is currently allocated annually to institutions based on the proportion of Pell Grants for Wisconsin resident students with EFCs below the threshold used for eligibility for Wisconsin Grants at each institution. In 2017-18, 7,040 students received tuition assistance grants totaling \$6.4 million with an average grant of \$902. Funding for this program is allocated annually by the Board of Regents from the UW System's largest GPR appropriation.

**6. Division of Vocational Rehabilitation Training Grants (Department of Workforce Development).** Individuals that have a physical or mental impairment that results in a substantial impediment to employment may be eligible for training grants awarded through the Division of Vocational Rehabilitation (DVR) in the Department of Workforce Development. Students are eligible for grants of up to \$5,000 for full-time study or \$160 per credit for part-time study. The actual amount of training grant depends on the student's unmet

need after other sources of financial aid have been applied. DVR training grants are funded with a combination of federal funds provided through the vocational rehabilitation grant and state matching funds. In 2016-17, DVR awarded training grants totaling \$8 million to 584 UW students, 1,562 technical college students, and 474 students enrolled in other colleges. More information regarding eligibility for the DVR training grant program and other services offered by DVR can be found in the Legislative Fiscal Bureau's informational paper entitled, "Vocational Rehabilitation."

**7. Bureau of Indian Affairs (BIA) Grant (Federal).** Need-based grants are available to students who are members of a federally recognized tribe, or at least one-quarter descendent of a member of a federally recognized tribe, and who meet eligibility criteria established by the tribal affiliates. The appropriate tribal office selects eligible students and determines the amount of each award. In 2016-17, 1,033 students received BIA grants totaling \$5.2 million with an average award of \$4,999. Of these grant recipients, 379 were enrolled in Wisconsin technical colleges, 332 were enrolled in UW institutions, 261 were enrolled in tribal colleges, and 61 were enrolled in private colleges.

**8. National Guard Tuition Grants (Military Affairs).** Wisconsin National Guard members are eligible to receive reimbursement grants equal to 100% of the actual tuition charged or 100% of the maximum resident undergraduate tuition rates charged by UW-Madison for a comparable number of credits, whichever amount is less. The grants may be received for up to eight semesters of full-time study, 120 credits of part-time study, or the equivalent thereof.

Eligibility for tuition grants is limited to Wisconsin National Guard members who: (a) are enlisted members or warrant officers; (b) do not hold a bachelor's degree or its equivalent; (c) meet eligibility criteria established by the Department of Military Affairs; (d) are not absent without leave

from more than nine monthly training sessions; and (e) are not delinquent in child support or maintenance payments and do not owe past support, medical expenses or birth expenses, as established by the appearance of the guard member's name on the statewide support lien docket, unless the guard member provides DMA a payment agreement that has been approved by the appropriate county child support agency. Additionally, in order to receive a reimbursement grant for tuition, an eligible guard member must: (a) achieve a minimum grade point average of 2.0 for the semester for which the tuition grant is applied; and (b) be an actively drilling guard member in good standing with the National Guard.

Reimbursement of tuition may be obtained by National Guard members who were enrolled at any accredited institution of higher education in Wisconsin or an out-of-state institution that has a reciprocity agreement with this state. Guard members seeking reimbursement must apply for the grant within 90 days after the completion date of the course. No National Guard member may receive a reimbursement grant under this program in any semester in which the person also receives a grant under the veterans tuition and fee reimbursement grant program.

During the 2017-18 legislative session, 2017 Act 123 specified that, whenever applicable, differential tuition be included in calculating the maximum resident undergraduate tuition charged by the University of Wisconsin - Madison for the purposes of determining payments under the DMA Tuition Grant Program. Some programs (engineering and business) at the University of Wisconsin - Madison charge a higher tuition amount, referred to as differential tuition, for students enrolled in these programs. In addition to specifying that differential tuition be utilized, Act 123 required DMA to make grant payments no later than 30 days after receiving the certification of a guard member's eligibility under the Tuition Grant Program.

In 2017-18, grants totaling \$5,750,000 GPR were awarded to 2,207 National Guard members. Note that many National Guard members received two awards in 2017-18, one award for the fall semester and one award for the spring semester. The average annual amount awarded to a National Guard member in 2017-18 was \$2,742.

In addition, 2017 Act 59 provided an exemption from nonresident tuition for students who meet all of the following criteria: (a) the student has resided in this state for six months immediately preceding the beginning of any semester or session in which the student enrolls; (b) the student is a member of the Wisconsin National Guard or a reserve unit of the U.S. Armed Forces when he or she registers at an institution and has been a member for the six months immediately preceding the semester in which the student enrolls; and (c) while enrolled, the student continues to be a member of the Wisconsin National Guard or a reserve unit of the U.S. Armed Forces, or is honorably discharged or released under honorable conditions from the Wisconsin National Guard or a reserve unit of the U.S. Armed Forces. Specify that a student who meets the criteria above and who withdraws from an institution during a semester or session because he or she is called into active duty for at least 30 days is entitled to an exemption from nonresident tuition if he or she reenrolls in a UW institution during the semester in which he or she is discharged, demobilized, or deactivated from active during or in the following semester. Under the Act, a student who meets the criteria above is eligible to receive an exemption from nonresident tuition for 128 credits or eight semesters, whichever is longer. This provision first applied to students who enroll in an institution in the 2017-18 academic year.

**9. Talent Incentive Grant Program (HEAB).** This program (known as "TIP") provides grants to the most needy and educationally disadvantaged students. Freshmen grant recipients are selected by the staff of the Wisconsin Educational Opportunity Program (WEOP) in the

Department of Public Instruction and institutional financial aid officers. Only students who receive TIP awards as freshmen are eligible to receive awards as upperclassmen. Students may receive TIP awards for up to 10 semesters within the first six years after the initial grant was awarded. Freshmen TIP awards are made by financial aid officers and WEOP counselors; HEAB determines the awards for those who continue to enroll as upperclassmen. Unlike other financial aid programs, TIP funding is guaranteed for continuing upperclassmen, thus obligating HEAB to four years of support once an initial award is made. Total TIP expenditures in 2017-18 were \$3.8 million GPR.

Students may be awarded both a maximum TIP award as well as a maximum Wisconsin Grant award. Freshmen may receive TIP awards of \$600 to \$1,800. The amount of grants awarded to upperclassmen varies from year to year depending on the number of eligible students and, in previous years, the amount of federal funds received. In 2018-19, continuing students received grants of \$1,600. Table 10 shows TIP expenditure levels for the UW System, WTCS, and private college sectors from 2011-12 through 2017-18.

**10. Study Abroad Grants (UW System).**

This program provides need-based grants of up to \$2,000 to resident undergraduate students participating in study abroad programs. In 2017-18, grants totaling \$915,215 were provided to 722

students through this GPR-funded program. Funding for these grants is allocated annually by the Board of Regents from the UW System's largest GPR appropriation.

**11. Minority Undergraduate Retention Grant (MURG) (HEAB).**

Similar to the Lawton program, the MURG program provides need-based grants to minority resident undergraduate students enrolled at least half-time in Wisconsin technical colleges, tribal colleges, or private, non-profit postsecondary institutions in the state. Like the Lawton program, this is a retention, rather than a recruitment, program and the same definition of "minority" is used for both programs. Sophomores, juniors, and seniors are eligible for grants of up to \$2,500 a year for up to eight semesters. HEAB allocates half of all funds to the technical colleges and half to private institutions and tribal colleges.

In 2017-18, \$380,800 was awarded to 531 technical college students with an average award of \$717. A total of 239 students attending private colleges or tribal colleges received \$390,200 with an average award of \$1,633.

**12. Indian Student Assistance Grant (HEAB).**

These funds are awarded to residents who are at least one-quarter Native American or are recognized as a member of a tribe by the appropriate tribal government. Full- and part-time undergraduate and graduate students who attend

**Table 10: Talent Incentive Grant Program\***

	UW System			Wisconsin Tech. Colleges			Private Colleges		
	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award
2011-12	1,963	\$1,510,203	\$769	673	\$496,704	\$738	732	\$568,430	\$777
2012-13	1,833	2,772,061	1,512	715	931,462	1,303	692	1,070,272	1,547
2013-14	1,699	2,553,664	1,503	761	995,254	1,308	691	1,083,071	1,567
2014-15	1,849	2,023,523	1,094	830	832,477	1,003	743	809,157	1,089
2015-16	1,767	1,962,210	1,110	748	771,658	1,032	732	819,958	1,120
2016-17	1,711	2,106,446	1,231	730	816,436	1,118	699	870,749	1,246
2017-18	1,661	2,133,308	1,284	648	780,510	1,204	679	881,309	1,298

\*Excludes grants to students enrolled in tribal colleges.

accredited institutions of higher education in this state are eligible for financial assistance. Grants are based on financial need and may be received for a total of five years. The program is funded by tribal gaming revenues. In 2017-18, 679 students received grants totaling \$623,700. Of these students, 237 enrolled at UW institutions, 237 enrolled at Wisconsin technical colleges, 147 enrolled at Wisconsin tribal colleges, and 58 enrolled in private, non-profit institutions. The average grant was \$919 in that year.

**13. Veterans Tuition and Fee Reimbursement Grants (Veterans Affairs).** This program provides reimbursement of up to 100% of the cost of an eligible veteran's undergraduate tuition and fees or high school tuition or program costs, less any other grants, scholarships, or remissions received, up to the amount of resident undergraduate tuition at UW-Madison. A separate program, described later in this paper, provides tuition remissions to eligible veterans attending UW System and Wisconsin Technical College System institutions. The veterans tuition and fee reimbursement grants apply only to the unremitted portion of tuition and fees at those institutions. The veteran may enroll on a full-time or part-time basis at any UW institution, Wisconsin technical college, approved private post-secondary institution, public or private high school, or similar institution that has a reciprocity agreement with Wisconsin. Part-time students may also be reimbursed for courses taken at out-of-state institutions if the course is not offered within 50 miles of the veteran's residence and the institution is within 50 miles of the state boundary or if a correspondence course is not offered in this state.

Veterans are eligible for reimbursement based on their length of service. Veterans that were on active duty for at least 90 days may be reimbursed for up to 30 credits or two semesters; veterans with at least 181 days of active duty service are eligible for up to 60 credits or four semesters; and veterans with at least 731 days of active duty service are eligible for up to 120 credits or eight semesters.

Veterans are eligible for full tuition and fee reimbursement for full-time study only for credits begun prior to their 10-year anniversary of their separation from active duty. After the 10-year delimiting date, full-time students may be reimbursed for no more than 11 credits per semester and 60 credits total. Up to 60 credits of part-time study may be reimbursed with no time limits.

Eligibility is restricted to veterans with incomes of \$50,000 or less (plus \$1,000 for each dependent in excess of two). Veterans are not eligible for reimbursement if they are eligible for tuition assistance from the U.S. Department of Defense, are eligible for National Guard tuition reimbursement, or have an undergraduate degree. Reimbursement is provided upon successful completion of a semester. Veterans may not receive reimbursement for semesters in which the veterans failed to achieve at least a 2.0 grade point average. Applications for reimbursement must be received by DVA within 60 days following the end of the semester for which reimbursement is sought.

In 2017-18, 42 tuition and fee reimbursement grants were awarded, totaling \$112,400 and averaging approximately \$2,700. Veterans tuition and fee reimbursement grants are funded with moneys from the veterans trust fund.

**14. Teacher Education Assistance for College and Higher Education (TEACH) Grant (Federal).** Beginning in 2008-09, the TEACH grant program provides grants of up to \$4,000 per year to students who intend to teach in a high-needs field in a public or private elementary or secondary school that serves low-income students. If grant recipients do not fulfill the obligations of the program, the total amount of TEACH grants received is converted into Direct Unsubsidized Loans. In 2017-18, 72 resident and nonresident UW students received TEACH grants totaling \$235,100 and 112 resident and nonresident students enrolled in private, non-profit colleges and universities located in this state received TEACH grants totaling \$286,700.

**15. Emergency Grants (UW System and Wisconsin Technical College System).** Created by 2015 Act 282, the program provides grants to students enrolled in the UW Colleges and the Wisconsin technical colleges beginning in the 2016-17 academic year. To be eligible for an emergency grant, a student must have an EFC of less than \$5,000. Grants awarded through this program may be used to fund expenses resulting from a financial emergency, which is defined as an unplanned event causing an unanticipated expense that would cause an eligible student to not complete the current academic term if a grant were not available. Eligible expenses include medical and vehicle repair costs. Students may receive up to two grants per year. Total grants provided to an individual student may not exceed \$500 in any academic year. For the UW System, in 2016-17, \$45,900 was awarded through 103 grants to 101 individuals, and in 2017-18, \$25,000 was awarded through 56 grants to 51 individuals. For WTCS, \$320,000 was awarded to 731 students in 2016-17 and \$320,000 was awarded to 738 students in 2017-18.

**16. Nelson Institute for Environmental Studies (UW System).** Created by 2009 Act 28, this program provides need-based grants to students who are members of underrepresented groups and who are enrolled in a program leading to a certificate or a baccalaureate degree from the Nelson Institution for Environmental Studies at UW-Madison. For the 2017-18 award year, 44 students received grants totaling \$98,700. The program is funded with income and interest transferred from the normal school fund.

**17. Handicapped Student Grant (HEAB).** Under this program, Wisconsin residents who have a severe or profound hearing or visual impairment and are enrolled as undergraduates at an in-state or eligible out-of-state public or private, nonprofit postsecondary institution are eligible for financial assistance. Eligible out-of-state institutions include Rochester Institute of Technology (NY), Gallaudet College (DC), St. Paul Technical and Vocational Institute (MN), St. Mary's Junior

College (MN), California State University-Northridge National Center on Deafness, and Northern Illinois University. All awards are based on financial need. Students are eligible for a maximum grant of \$1,800 a year for up to 10 semesters in addition to any grants received under the Wisconsin Grant program. Additional costs such as special equipment and materials are included along with expenses covered in the standard student budget.

In 2017-18, 50 hearing or visually impaired students received a total of \$78,949 under this program with awards averaging \$1,579. Most award recipients attended a UW System institution (21) or a Wisconsin technical college (20). Eight students enrolled in private, non-profit institutions located in Wisconsin and one student enrolled in an out-of-state institution.

**18. Advanced Opportunity Program (UW System).** The AOP program provides grants to minority and disadvantaged graduate students enrolled at UW institutions. Both resident and nonresident students are eligible for AOP; however, statutes require that preference be given to resident students. There are no statutory limits on the grant amount or number of eligible semesters. Selection criteria vary by campus but are primarily based on financial need and academic performance.

In 2017-18, 494 students received AOP awards totaling \$3,884,213. Of these recipients, 350 were residents who received grants averaging \$6,884 and 144 were nonresidents who received grants averaging \$10,239. In 2017-18, 65% of grants were provided to students belonging to underrepresented minority groups.

The UW treats AOP as a fellowship, rather than a grant program, thus making AOP recipients eligible for fringe benefits, such as health insurance. Because most AOP recipients also receive tuition remissions, the total value of an AOP award may be considerably higher than the

amount of the grant, particularly for nonresidents. Funding for AOP is allocated annually by the Board of Regents from the UW System's largest GPR appropriation.

## **Federal Loan Programs**

**1. Direct Subsidized Loans (Federal).** The Direct Subsidized Loan program is a federal loan program that provides low-interest loans to undergraduate students who are enrolled at least half-time and who have demonstrated financial need. Students may borrow up to \$3,500 in the first year, \$4,500 in the second year, and \$5,500 in subsequent years up to a maximum of \$23,000. Borrowers are only eligible for Direct Subsidized Loans for a period of time equal to 150% of the length of the borrower's program. Under this rule, students pursuing four-year bachelor's degrees would be eligible for Direct Subsidized Loans for a period of up to six years while students pursuing a two-year associate's degree would be eligible for these loans for a period of up to three years.

Direct Subsidized loans are subject to a fixed interest rate, which is set at 5.05% for loans disbursed from July 1, 2018, to June 30, 2019. In addition to these interest rates, borrowers are charged a loan fee equal to 1.06% of the amount of the loan for loans disbursed on or after Oct. 1, 2017 and before October 1, 2019. This fee is deducted from each disbursement. Borrowers begin repayment six months after leaving school or dropping below half-time. Under the subsidized loan program, the government pays the interest on the loan while the student is enrolled at least half-time, during the six months before repayment begins, and during deferment except that borrowers are responsible for interest accrued during the six months before repayment begins for loans disbursed between July 1, 2012, and July 1, 2014. In 2016-17, 94,765 students received direct subsidized loans averaging \$3,605, for a total value of \$341.6 million.

Direct Subsidized Loan Program borrowers

may choose to repay their loans through one of several repayment plans, including: (1) the standard plan, which offers fixed payments over up to ten years; (2) the graduated plan, which offers increasing payments over 10 years; (3) the extended plan, which offers fixed or graduated payments over up to 25 years; (4) the pay as you earn plan, which allows the borrower to pay 10% of discretionary income for up to 20 years; (5) the revised pay as you earn plan, which allows the borrower to pay 10% of discretionary income for up to 25 years; (6) the income-based plan, which allows the borrower to pay 10 or 15% of discretionary income for up to 25 years; and (7) the income-contingent plan, which allows the borrower to pay 20% of discretionary income for up to 25 years. Only borrowers with more than \$30,000 in outstanding direct loans are eligible for the extended payment plan. Borrowers must have a high level of debt relative to income to be eligible for the income-based and pay as you earn plans. Under the income-based, pay as you earn, revised pay as you earn, and income-contingent plans, the balance of the loan is forgiven at the end of the repayment period.

Loan repayments may be deferred up to three years in the event of economic hardship or if the borrower is unable to find full-time employment. In addition, loan repayments may be deferred for active military personnel during a war, military operation, or national emergency and for up to 13 months following qualifying active military service for National Guard members and other reservists who were activated while enrolled or within six months of being enrolled at least half-time. Loan payments may also be deferred while a student participates in an approved graduate fellowship program or rehabilitation training program in the case of disability.

Loans may be discharged if the school in which the student enrolls closes before the student completes his or her program or in the event of the death or total and permanent disability of the borrower. Loan forgiveness is offered to certain

teachers and public service employees. Teachers who have worked for five consecutive years in a low-income school may have up to \$5,000 of their loans forgiven or \$17,500 if the teacher is a secondary mathematics, secondary science, or special education teacher. In addition, public service employees may have the balance of their loans forgiven after 120 on-time monthly payments.

## **2. Direct Unsubsidized Loans (Federal).**

The Direct Unsubsidized Loan program provides low-interest loans to undergraduate and graduate students who are enrolled at least half-time in a degree or certificate program. Unlike the Direct Subsidized Loan program, students do not need to demonstrate financial need to be eligible for Direct Unsubsidized Loans. The amount a student may borrow is determined by the institution he or she attends but may not exceed maximum loan amounts established by federal law. For dependent undergraduate students, these maximums are \$5,500 in the first year, \$6,500 in the second year, and \$7,500 in subsequent years, up to a cumulative maximum of \$31,000. Independent undergraduate students may borrow up to \$9,500 in the first year, \$10,500 in the second year, and \$12,500 in subsequent years, up to a cumulative maximum of \$57,500. Amounts borrowed through the Direct Subsidized Loan program are counted against these limits. Graduate and professional students may borrow up to \$20,500 per year. In total, graduate and professional students, other than those in certain health profession programs, may borrow up to a maximum of \$138,500. Any amount borrowed by a graduate or professional student while an undergraduate is counted against these limits. In 2016-17, 72,662 undergraduate students received Direct Unsubsidized Loans averaging \$3,437, for a total value of \$249.8 million.

Like Direct Subsidized Loans, Direct Unsubsidized loans are subject to a fixed interest rate, which is set at 5.05% for undergraduate students and 6.6% for graduate and professional students for loans disbursed from July 1, 2018, to June 30, 2019. Borrowers are also charged a loan fee equal

to 1.06% of the loan. Borrowers begin repayment six months after leaving school or dropping below half-time. Unlike Direct Subsidized loans, the borrower is responsible for any interest that accrues while the student is enrolled, before repayment begins, and while the loan is in deferment.

Direct Unsubsidized Loan borrowers may select from the same seven repayment plans available to borrowers under the Direct Subsidized Loan program. In addition, Direct Unsubsidized loans may be deferred, discharged, or forgiven under the same conditions as Direct Subsidized student loans.

**3. Perkins Loan (Federal).** This is a campus-based program that provided loans at 5% interest to students with exceptional financial need. The Perkins graduate loan program ended on September 30, 2016, with the undergraduate program ending on September 30, 2017. Final loan disbursements under the program were permitted through June 30, 2018. Prior to September 30, 2017, institutions could only make loans to students who had been awarded all of the loans for which they were eligible through the Direct subsidized loan program, if the student had already received a Perkins loan, or to students who had been awarded all of the loans for which they are eligible through the Direct subsidized and unsubsidized loan programs, if the student had not previously received a Perkins loan.

**4. Direct PLUS Loans for Parents (Federal).** Through this non-need-based loan program, the U.S. Department of Education makes loans to parents of dependent undergraduate students who are enrolled at least half-time. Only parents who do not have an adverse credit history are eligible for PLUS loans. PLUS loans can only help finance educational costs and the amount of the loan cannot exceed the difference between the cost of attendance and all other financial aid.

PLUS loans are subject to a fixed rate which is set at 7.6% for loans disbursed from July 1, 2018,

to June 30, 2019. The loans also carry a 4.25% fee which is deducted from each disbursement. Parents may defer payments while the student is enrolled at least half-time and for up to six months after the student ceases to be enrolled at least half-time; however, interest accrues during these periods and may be added to the principal of the loan.

Parents may choose to repay PLUS loans through one of three repayment plans: (1) the standard plan, which offers fixed payments over up to 10 years; (2) the graduated plan, which offers increasing payments over ten years; and (3) the extended plan, which offers fixed or graduated payments over up to 25 years. Loan repayments may be deferred under the same conditions as Direct Subsidized and Direct Unsubsidized Loans. The loan may be cancelled if the school in which the student enrolls closes before the student completes his or her program, the borrower dies or becomes totally and permanently disabled, or the student for whom the parent borrowed dies.

**5. Direct PLUS Loans for Graduate and Professional Degree Students (Federal).** This program provides loans to graduate and professional degree students who are enrolled at least half time. As with PLUS loans for parents, only students who do not have an adverse credit history are eligible for these loans. The terms and conditions of this program are the same as for the Direct PLUS loans for parents program except that: (1) loan repayments are automatically deferred while the student is enrolled at least half-time and six months after the student ceases to be enrolled full-time; (2) borrowers may opt to repay their loan under the income-based, the pay as you earn, the revised pay as you earn, and the income-contingent repayment plans; and (3) public service employees may have the balance of their Direct PLUS loans forgiven after 120 on-time monthly payments.

**6. Consolidation Loan (Federal).** This program allows borrowers to replace Direct, Perkins, PLUS, and certain other federal loans with one

loan having a lower monthly payment than the total monthly payments on the original loans. PLUS loans made to parents cannot be transferred to the student through consolidation; however, parents may be able to consolidate PLUS loans. Consolidation loans give the borrower up to 30 years to repay loans which may reduce monthly payments but increase total costs. Interest rates on consolidation loans are fixed and equal to the weighted average of the interest rates on the original loans, rounded up to the nearest 1/8%. Several different repayments plans are available to borrowers with consolidated loans. Borrowers who consolidate their loans may no longer be eligible for the benefits offered by the original loan programs which may include interest rate discounts, principal rebates, and loan cancellation.

## **State Loan Programs**

**1. Nursing Student Loan (HEAB).** The nursing loan program provides need-based loans to Wisconsin residents who are enrolled at least half-time at an eligible in-state institution that prepares them to be licensed as registered (RN) or licensed practical (LPN) nurses. The maximum award per year is \$3,000 with an overall maximum of \$15,000. To be eligible for the program, students must agree to be employed as a licensed nurse in this state. Loans are forgiven at a rate of 25% for each of the first two years that the recipient is employed full-time as a nurse or nurse educator in Wisconsin. Forgiveness may be prorated for individuals working less than full-time. The balance remaining after forgiveness must be repaid at an interest rate not to exceed 5% annually. If the student does not practice nursing in Wisconsin or otherwise meet the eligibility criteria, the loan must be repaid at an interest rate not to exceed 5%. In 2017-18, 178 students received loans totaling \$423,600. Most recipients attended either a private, non-profit college or university (91) or a technical college (71). An additional 16 recipients attended UW institutions. In 2018-19, \$445,500 GPR is budgeted for the nursing student loan program.

**2. Teacher Loan Program (HEAB).** Created by 2015 Act 55, the teacher loan program is intended to provide loans of up to \$10,000 annually to resident students enrolled in programs leading to a teacher's license in a teacher shortage area identified for this state by the U.S. Department of Education. To be eligible, a student must be enrolled at least half-time as a sophomore, junior, or senior at an institution of higher education and have a grade point average of at least a 3.0 on a 4.0-scale or the equivalent. Loan recipients may have 25% of the loan forgiven for each year that the recipient teaches full-time at a public or private school in the city of Milwaukee or in a school district in a rural county. To receive loan forgiveness, loan recipients must teach in the high demand area that they studied and receive a rating of proficient or distinguished on the educator effectiveness system or the equivalent in a school that does not use the educator effectiveness system. Students may receive loans of up to \$30,000 through the program. Loan recipients who do not qualify for loan forgiveness must repay their loans at an interest rate of 5%. In 2017-18, HEAB made 22 loans through the teacher loan program totaling \$196,200. Funding for the program is \$147,200 GPR in 2018-19, but will increase to \$272,200 GPR in 2019-20 and annually thereafter under the provisions of 2017 Act 59.

The teacher loan program replaced the teacher education loan program. That program provided loans to Wisconsin residents enrolled in the teacher education programs at the Milwaukee Teacher Education Center (MTEC). To be eligible for a loan, a student must have agreed to teach in a first-class city school system under Chapter 119 of the statutes (Milwaukee Public Schools). For each year a borrower teaches in the eligible school district, 50% of the loan is forgiven. If the borrower does not teach in the eligible district, the loan had to be repaid at an interest rate of 5%.

**3. Minority Teacher Loan (HEAB).** Under 2015 Act 55, the minority teacher loan program is intended to provide loans of up to \$10,000

annually to minority resident students enrolled in programs leading to a teacher's license in a teacher shortage area identified for this state by the U.S. Department of Education. To be eligible, a student must be enrolled at least half-time as a sophomore, junior, or senior at an institution of higher education and have a grade point average of at least a 3.0 on a 4.0-scale or the equivalent.

Loan recipients may have 25% of the loan forgiven for each year that the recipient teaches full-time at a public or private school in the city of Milwaukee. To receive loan forgiveness, loan recipients must teach in the high demand area that they studied and receive a rating of proficient or distinguished on the educator effectiveness system or the equivalent in a school that does not use the educator effectiveness system. Students may receive loans of up to \$30,000 through the program. Loan recipients who do not qualify for loan forgiveness must repay their loans at an interest rate of 5%.

In 2017-18, one student received a loan totaling \$10,000 through the minority teacher loan program. The loan principal and interest is forgiven at a rate of 25% for each year the recipient teaches in an eligible school district. If the student does not teach in an eligible district, the loan, which bears a 5% interest rate, must be repaid with the funds deposited in the general fund. Funding for the program is \$134,500 GPR in 2018-19, but will increase to \$259,500 GPR in 2019-20 and annually thereafter under the provisions of 2017 Act 59.

**4. School Leadership Loan Program.** Under 2017 Act 59, a continuing appropriation was created under the Higher Education Aids Board (HEAB) for the school leadership loan program with \$500,000 GPR in 2017-18 for the program. To be eligible for a loan through the program, a student must meet all of the following criteria: (a) be enrolled in a school leadership program at a UW institution that permits students to earn degrees in less time than a traditional school leadership program and includes a required mentorship or apprenticeship component; (b) be nominated by

a superintendent of a school district; and (c) be selected by the Board of HEAB in a competitive application process. Loan recipients could have 25% of the loan forgiven for each year that the recipient satisfies the following requirements: (a) is employed in a school leadership position in an elementary or secondary school in this state; and (b) received a rating of proficient or distinguished on the educator effectiveness system or the equivalent in a school that does not use the educator effectiveness system. Loan recipients who do not qualify for loan forgiveness are required to repay their loans at an interest rate of 5%. Act 59 requires HEAB to deposit in the general fund as GPR-Earned all repayments of loans made under the program and the interest on the loans. HEAB provided 20 loans under the program in 2017-18 for a total expenditure of \$125,000 and average award of \$6,250.

#### **5. Loans for Teachers and Mobility Instructors of Visually Impaired Pupils (HEAB).**

This program provides loans of up to \$10,000 per year to defray the cost of tuition, fees, and expenses for students enrolled in a degree-granting program that prepares them to be licensed as teachers of visually impaired pupils or as orientation and mobility instructors. A student may receive a maximum of \$40,000 in loans under the program. Loan recipients must be Wisconsin residents who are enrolled at least half-time at an accredited institution of higher education in Wisconsin, Minnesota, Iowa, Illinois, or Michigan. HEAB is required, to the extent possible, to give preference to persons who are likely to return to Wisconsin to work with visually impaired persons.

Once a borrower completes the degree program, the loans are forgiven if the borrower is licensed and employed as a teacher of visually impaired pupils or as an orientation and mobility instructor by a Wisconsin school district, the Wisconsin Center for the Blind and Visually Impaired, or a cooperative educational service agency. For loan recipients who are employed full-time,

HEAB is required to forgive 25% of the principal and interest on the loan for each of the first and second years of employment and 50% of the principal and interest amount for the third year. For persons who are employed less than full-time, HEAB may forgive loans on a prorated basis.

For 2017-18, a total of \$47,000 was expended for six students, averaging \$7,883 per student. Of these students, three were enrolled at Western Michigan University, two were enrolled at UW-Platteville, and one was enrolled at Northern Illinois University. For 2018-19, \$99,000 GPR is appropriated for the program.

#### **Scholarship Programs**

Generally, scholarships are financial aid funds that are awarded on a basis other than need. Scholarship money may come from a variety of governmental, institutional, and private sources.

**1. Wisconsin Covenant (HEAB):** The Wisconsin covenant program provides grants to students who have been designated as Wisconsin covenant scholars and who are enrolled in UW institutions, technical colleges, private, nonprofit colleges and universities, and tribal colleges located in this state. To be designated as a Wisconsin covenant scholar, a student must have signed the Wisconsin covenant pledge as an eighth grader and fulfilled the pledge by his or her senior year of high school. Students were first able to sign the Wisconsin covenant pledge in spring, 2007, and the first covenant scholars enrolled in higher education in 2011-12. In 2017-18, 8,190 students received Wisconsin covenant grants totaling \$5.5 million.

Under 2011 Act 32, no student may sign the pledge after September 30, 2011. Students who signed the pledge in 2011 were eligible for Wisconsin covenant grants beginning in 2015-16. The grant program is scheduled to end in 2020-21 when no students will be eligible for grants through the program.

Students may receive grants for up to eight semesters during the first five years after high school graduation. To maintain eligibility, students must: (1) enroll in at least six credits at an eligible institution; (2) maintain acceptable academic standards as determined by the institution attended; (3) file the FAFSA annually; and (4) not be convicted of a felony or a misdemeanor involving bodily harm or a dangerous weapon.

Unlike other state-funded financial aid programs, Wisconsin covenant grants are awarded based on a combination of merit and financial need. To receive a Wisconsin covenant scholars grant, a student must be designated as a Wisconsin covenant scholar which is based primarily on his or her academic performance; however, Wisconsin covenant scholars grants are awarded to designated Wisconsin covenant scholars based on each student's need as measured by his or her EFC. Table 11 shows grant amounts provided to Wisconsin covenant scholars by EFC as established by statute and administrative rule. Of the 8,190 students who received Wisconsin covenant scholars grants in 2017-18, 53% received need-based grants ranging from \$500 to \$1,500. Those grants totaled \$4.55 million. All other recipients received non-need-based grants of \$125 or \$250 depending on whether the student was enrolled on a full-time or part-time basis. Grants to students with EFCs greater than \$12,000 are considered to be non-need-based. Grants to these students totaled

\$917,500 in 2017-18.

Table 11 also shows the amount of grants provided by the Wisconsin Covenant Foundation program, which are funded by the Great Lakes Higher Education Corporation (GLHEC). The Wisconsin Covenant Foundation was a nonprofit corporation that was initially established to raise funds to provide financial aid to low-income students who fulfill the Wisconsin covenant pledge. In November, 2007, GLHEC, which guarantees and services loans made to students enrolled in Wisconsin post-secondary institutions, pledged \$40 million to endow the Wisconsin Covenant Foundation. The Wisconsin Covenant Foundation was dissolved in June, 2013, and its remaining assets were transferred to GHLEC. In 2017-18, 1,942 Wisconsin covenant scholars received additional need-based grants totaling \$2.2 million through this program.

**2. Academic Excellence Higher Education Scholarships (HEAB).** This program provides scholarships to selected 12th grade students who have the highest grade point averages (GPA) in each public, private, and tribal high school in the state. The number of scholarships for which each high school is eligible is based on total student enrollment. One scholarship is awarded to each high school with an enrollment of between 80 and 499 students. If a high school has an enrollment of 500 students or more, scholarships are awarded as follows: 500-999 students, two scholarships; 1,000-

**Table 11: 2018-19 Wisconsin Covenant Grant Amounts**

Student EFC	Wisconsin Covenant Scholars Grant	Wisconsin Covenant Foundation Grant	Total
<b>Enrolled Full-Time</b>			
Equal to \$0	\$1,000	\$1,500	\$2,500
Greater than \$0, not more than \$3,499	1,500	1,000	2,500
Greater than \$3,499, not more than \$11,999	1,000	0	1,000
Greater than \$12,000	250	0	250
<b>Enrolled Part-Time</b>			
Equal to \$0	\$750	\$1,500	\$2,250
Greater than \$0, not more than \$3,499	750	1,500	2,250
Greater than \$3,499, not more than \$11,999	500	0	500
Greater than \$12,000	125	0	125

1,499, three scholarships; 1,500-1,999, four scholarships; 2,000-2,499, five scholarships; and over 2,500, six scholarships.

The HEAB Secretary may award up to 10 scholarships to students who attend high schools with total enrollments of less than 80 students. The faculty of each of these high schools is required to name the 12th grade student or students with the highest GPAs, as normally calculated by that high school, as eligible to receive a scholarship. Under HEAB administrative rule, the 10 students with the highest GPAs are awarded scholarships. The HEAB Secretary also designates one senior attending the Wisconsin Center for the Blind and Visually Impaired and one senior attending the Wisconsin Educational Services for the Deaf and Hard of Hearing as scholars.

Scholars receive a maximum of \$2,250 per year of which half is funded by the state through a GPR sum sufficient appropriation and half is funded by the institution. Tuition and fees in excess of \$2,250 are the responsibility of the student.

In order to receive a scholarship, a student must be enrolled full-time at a participating UW institution, Wisconsin technical college, or private, nonprofit postsecondary institution in the state by September 30 of the academic year following the year in which the student graduated from high school. If the student who is initially selected does not use the scholarship by September 30 following high school graduation, the scholarship may be awarded to an alternate. Students with the same GPA as the originally designated scholar or, if there are no remaining seniors with the same GPA, students with the next highest GPAs of 3.8 or greater, may be named as alternates. In 2015-16, 188 alternates received scholarships.

For each year the student is enrolled full-time, he or she must maintain a cumulative GPA of at least 3.0 and make satisfactory progress toward a vocational diploma or an associate or bachelor

degree. A student may lose and then regain program eligibility as his or her cumulative GPA fluctuates. No student is eligible for a scholarship for more than four years at a UW or private, nonprofit postsecondary institution or for more than three years at a Wisconsin technical college.

In 2017-18 a total of 2,690 academic excellence scholars were enrolled in Wisconsin post-secondary institutions. The enrolled students represent approximately 83% of the 3,255 available scholarships with the remaining 17%, or 564 scholarships, going unused. Some unused scholarships occur due to students who graduate in three years or enter a graduate program during their fourth year and therefore no longer qualify for the AES. The total value of the scholarships provided was \$5.8 million of which \$2.9 million was funded through HEAB. Table 12 shows the number of Academic Excellence Scholarship recipients by institution for the last four years.

**3. Technical Excellence Scholarship (HEAB):** A technical excellence higher education scholarship program was created under 2013 Act 60 to provide scholarships to high school seniors with the highest levels of proficiency in technical education subjects beginning in the 2015-16 academic year. Similar to the academic excellence scholarship (AES) program, the technical excellence scholarship (TES) program provides scholarships of up to \$2,250 per year, half of which are funded through a state GPR sum sufficient appropriation and half of which are funded by the technical college in which the student enrolls.

School boards and private and tribal high school governing boards are required to designate scholars by February 25 of each year. School boards and public and tribal high school governing boards are required to develop criteria for determining the level of proficiency in technical education subjects of seniors enrolled in their high schools. Following approval by the HEAB Board, these criteria can be used to designate seniors as scholars or scholarship alternates. The HEAB

**Table 12: Enrollment Data for Academic Excellence Scholars Attending Wisconsin Postsecondary Institutions**

	2014-15	2015-16	2016-17	2017-18
<b>UW System</b>				
Madison	1,333	1,294	1309	1,296
Milwaukee	68	74	69	72
Eau Claire	141	137	122	143
Green Bay	36	43	49	46
La Crosse	194	191	198	198
Oshkosh	72	58	58	48
Parkside	13	12	7	9
Platteville	84	83	92	99
River Falls	32	34	39	41
Stevens Point	62	59	62	61
Stout	43	42	45	45
Superior	16	15	14	12
Whitewater	47	57	61	67
Colleges	<u>20</u>	<u>28</u>	<u>23</u>	<u>16</u>
Subtotal	2,161	2,127	2,148	2,153
<b>WI Technical</b>				
Chippewa Valley	3	6	5	6
Madison Area	7	7	7	7
Milwaukee Area	8	4	7	4
All Others	<u>17</u>	<u>24</u>	<u>25</u>	<u>25</u>
Subtotal	35	41	44	42
<b>Independent Colleges</b>				
Alverno	11	13	12	9
Bellin	3	3	4	5
Beloit	5	4	6	5
Cardinal Stritch	6	8	6	7
Carroll	46	49	54	53
Carthage	13	17	26	29
Concordia	32	33	32	33
Edgewood	15	14	13	16
Lakeland	4	3	3	3
Lawrence	22	27	27	23
Maranatha	5	3	6	5
Marian	9	5	5	5
Marquette	127	116	112	105
Milw. Art & Design	6	5	3	2
Milw. Sch. of Engineering	45	56	55	53
Mount Mary	12	13	13	10
Northland College	12	9	4	3
Northland International	1	0	0	0
Ripon	22	25	21	24
St. Norbert	63	65	60	64
Silver Lake	1	2	2	2
Viterbo	30	23	20	22
Wisc. Lutheran	<u>18</u>	<u>20</u>	<u>20</u>	<u>17</u>
Subtotal	508	513	504	495
Total	2,704	2,681	2,696	2,690

Source: UW System Administration, the Wisconsin Association for Independent Colleges and Universities, and the Higher Educational Aids Board.

Secretary is required to develop criteria for determining the level of proficiency in technical education subjects of seniors enrolled in schools with enrollments of fewer than 80 students and of seniors enrolled in the schools for the Deaf and Hard of Hearing and for the Blind and Visually Impaired.

The number of seniors designated as scholars at an individual high school is based on the enrollment of the school using the same scheme used for the AES program. Similarly, the HEAB Secretary may designate up to 10 scholars from seniors nominated by schools with enrollments of less than 80 and one scholar each from the schools for the Deaf and Hard of Hearing and for the Blind and Visually Impaired.

To receive a scholarship, a student who has been designated as a scholar must enroll on a full-time basis in a participating Wisconsin technical college by September 30 of the academic year immediately following the student's senior year of high school. Scholars are eligible to receive the scholarship for up to three years. To remain eligible for the scholarship, a scholar must be enrolled full-time, maintain a grade point average of at least 3.0, and make satisfactory progress towards an associate's or bachelor's degree or a vocational diploma. Scholars do not need to maintain continuous enrollment to remain eligible for the scholarship.

In 2017-18, 484 freshman technical excellence scholars enrolled in Wisconsin technical colleges. The enrolled students represent approximately 55% of the 875 available scholarships with the remaining 45%, or 392 scholarships, going unused. The total number of available scholarships is based on enrollments in the state's high schools. The total value of the scholarships provided was \$1.0 million of which \$0.5 million was funded through HEAB. Fox Valley Technical College and Madison Area Technical College enrolled the largest numbers of technical excellence scholars.

**4. License Plate Scholarships (Department of Transportation and UW System).** This program is funded with revenues generated by a \$20 annual fee charged to drivers who have a University of Wisconsin specialty license plate. Specialty plates are available for each of the 13 four-year institutions and the revenues generated by each institution's plates are used to fund scholarships awarded by the chancellor. In 2017-18, 101 scholarships totaling \$172,900 were awarded through this program.

**5. Sustainable Management Scholarship (UW-Extension).** Created by 2009 Act 28, this program provides scholarships to students enrolled in the sustainable management degree program through UW-Extension. In 2017-18, scholarships totaling \$168,500 were provided to 270 students. This program is funded with income and interest transferred from the normal school fund, which is a segregated fund.

## **Remissions**

Remissions are awarded to students under certain conditions. Students who receive a remission are not charged some portion of tuition and the institution granting the remission forgoes that revenue.

**1. Tuition Remissions for Graduate Assistants, Fellows, and Instructional Academic Staff (UW System).** Statutes permit the Board of Regents to grant tuition remissions to resident and nonresident graduate students who are employed by the University as assistants or instructional academic staff with appointments of at least 33% and to graduate students who are fellows. In 2017-18, a total of 7,711 graduate assistants, instructional academic staff, and fellows received approximately \$103 million in remissions. Of these, 1,750 students were residents who received remissions totaling \$12.5 million. Of graduate students who received remissions under this provision, 80% were enrolled at UW-Madison and 16% attended UW-Milwaukee.

**2. UW System Nonresident Tuition Remissions.** Current law permits the Board of Regents to remit the nonresident portion of tuition to nonresident undergraduate and graduate students on the basis of merit or if the Board judges that the student is otherwise deserving of relief. In 2017-18, 2,936 nonresident undergraduate students received remissions totaling \$18.6 million and 280 nonresident graduate students received remissions totaling \$2.7 million under these provisions.

**3. Athletic Scholarships (UW System).** The Regents may remit both resident and nonresident tuition as athletic scholarships. Currently, four UW institutions (Madison, Milwaukee, Green Bay, and Parkside) are in NCAA divisions that allow the granting of athletic scholarships. For 2017-18, these institutions granted remissions totaling \$10.2 million to 787 student athletes. The NCAA allows institutions to divide a scholarship among several athletes for all sports except Division I football, men's and women's basketball, women's gymnastics, women's volleyball, and women's tennis.

**4. Tuition Remissions for Veterans (UW System and WTCS).** The UW System Board of Regents and technical college district boards must remit 100% of tuition and fees, less any amount paid under the federal Post-9/11 G.I. Bill, for up to 128 credits or eight semesters, whichever is longer, to eligible veterans. To qualify as a veteran eligible for this remission, a student must be verified by the Department of Veterans Affairs as: (a) being a resident of this state for the purpose of receiving benefits; (b) having been a resident of this state at the time of entry into the armed services or having resided in this state for at least five consecutive years immediately preceding the semester in which the student enrolls; and (c) having qualifying military service. Veterans are required to maintain a cumulative grade point average of at least 2.0 to remain eligible for remissions. In 2017-18, the UW System provided tuition and fee remissions totaling \$11.5 million to 1,999 veterans. Of this amount, \$3.9 million was remitted to

veterans enrolled as graduate and professional students. The Wisconsin technical colleges provided remissions totaling \$2.19 million to 1,322 veterans in that year.

Veterans who are eligible for benefits under the federal Post-9/11 G.I. Bill are required to use those benefits before accessing state tuition and fee remissions. The federal Post-9/11 G.I. Bill provides education benefits, including the direct payment of tuition and fees, a monthly housing allowance, and an annual books and supplies stipend, to veterans who served at least 90 days of active duty (or 30 days in the case of a service-related disability) after September 10, 2001. Students are required to use Post-9/11 G.I. Bill benefits before receiving state tuition and fee remissions even if they are eligible for benefits under the Montgomery G.I. Bill or certain other federal education programs for veterans unless the student is eligible for 12 months or less of benefits under those programs. Under 2011 Act 32, credits that are wholly paid for with Post-9/11 G.I. Bill benefits do not count against the 128 credit limit on state remissions. In cases where Post-9/11 G.I. Bill benefits pay for a fraction of a credit and the remainder is remitted under state law, only the portion of the credit that is remitted is counted against the 128 credit limit.

Of the 1,999 UW students and 1,322 technical college students who received tuition remissions under state statute, Post-9/11 G.I. Bill education benefits paid a portion of tuition and fees for 452 UW students and 414 technical college students. An additional 1,561 UW students and 1,642 technical college students were eligible for remissions under state statute but had their tuition and fees wholly paid with Post-9/11 G.I. Bill benefits. Although these students did not receive remissions through the state program, they were eligible to receive reimbursement/supplemental payments (described below) from the institution attended. The Montgomery G.I. Bill provides a monthly stipend to veterans who are enrolled as students which can be used for tuition, books and supplies, and living

expenses. Veterans whose stipend under the Montgomery G.I. Bill or certain other federal education programs would have exceeded the amount of the monthly housing allowance provided under the Post-9/11 G.I. Bill (adjusted to reflect the annual books and supplies stipend) are reimbursed by the institution attended for the difference in those benefits. In 2017-18, the UW System provided reimbursement/supplemental payments totaling \$1.5 million to 687 veterans and the Wisconsin technical colleges provided \$1.05 million to 403 veterans.

In 2017-18, Post-9/11 G.I. Bill tuition and fee payments for veterans to UW institutions totaled \$13.3 million. The technical colleges received \$5.14 million in tuition and fee payments for veterans through the Post-9/11 G.I. Bill in that year. Payments from the Post-9/11 G.I. Bill program have reduced the amount of state tuition remissions to veterans which peaked in 2008-09. After declining during the 2009-11 biennium, tuition remissions granted by UW institutions have increased in each of the most recent six years while tuition remissions granted by the technical colleges have fluctuated.

A GPR appropriation under the Higher Educational Aids Board (HEAB) has been provided to reimburse, in whole or in part, the UW Board of Regents and the Wisconsin technical college district boards for remissions provided to veterans, for remissions provided to the children and spouses of certain veterans (described in the following section), and for reimbursement/ supplemental payments made to veterans, children, and spouses. In 2017-18, the appropriation was \$6.5 million and the UW Board of Regents received a reimbursement payment of \$4.85 million while the Wisconsin technical college district boards received reimbursements totaling \$1.65 million. This amount fully funded all reimbursement/supplemental payments made directly to veterans and reimbursed the institutions for 14.5% of tuition and fee remissions provided to veterans, children, and spouses. Remissions costs beyond the amount

reimbursed through the HEAB appropriation must be absorbed within the UW System's and the Wisconsin technical college district boards' budgets or funded through other revenues such as tuition charged to other students.

**5. Tuition Remissions for Children and Spouses of Eligible Veterans (UW System and WTCS).** The UW System Board of Regents and each technical college district board must remit 100% of tuition and fees, less any amount paid under the federal Post-9/11 G.I. Bill, to the spouse, unremarried surviving spouse, and children of eligible veterans. An eligible veteran is one who: (1) was a resident at the time of entry into the armed services or, as added by 2017 Act 59, resided in this state for at least five consecutive years after he or she attained the age of 18 or five consecutive years immediately preceding the beginning of any semester or session for which the child or spouse seeks a remission (provided the child or spouse also resided in this state for at least five consecutive years immediately preceding enrollment); (2) served under honorable conditions; (3) either died on active duty, died on inactive duty for training purposes, died as the result of a service-related disability, or has been awarded at least a 30% service-related disability rating; and (4) was a resident of this state at the time of death or service-related disability.

Children and spouses may receive remissions for up to 128 credits or eight semesters, whichever is longer. The spouse, in the case of disability, or the unremarried surviving spouse, in the case of death, of an eligible veteran is eligible for this remission during the first 10 years after the receipt of the disability rating or the death of the eligible veteran or until 10 years after the youngest child the spouse had with the veteran reaches or would have reached 18 years of age. Children of eligible veterans may receive this remission as long as they are at least 17 years of age and not yet 26 years of age, regardless of when the eligible veteran died or received his or her disability rating. Since January 1, 2014, students have been required to

maintain a cumulative grade point average of at least 2.0 to remain eligible for remissions.

As with veterans, children and spouses who are eligible for benefits under the federal Post-9/11 G.I. Bill have been required to use those benefits before accessing state tuition and fee remissions since the spring, 2010, semester. Children and spouses are also eligible for the reimbursement/supplemental payments described in the previous section.

In 2017-18, the UW System provided tuition and fees remissions totaling \$11.3 million to 1,591 students under this provision. In addition, the technical colleges remitted \$2.0 million in tuition and fees to 887 students. While tuition remissions for veterans peaked in 2008-09, remissions to the children and spouses of disabled and deceased veterans have increased in every year since 2005-06 when the UW System and the technical colleges were first required to grant them.

Of the 1,591 UW students and 887 technical college students who received tuition remissions under state statute, 37 UW students and 12 technical college students also received education benefits under the Post-9/11 G.I. Bill. An additional 208 UW students and 117 technical college students were eligible for remissions under state statute but had their tuition and fees wholly paid with Post-9/11 G.I. Bill benefits. In 2017-18, Post-9/11 G.I. Bill tuition and fee payments to UW institutions for children and spouses totaled \$1.4 million. The technical colleges received \$264,200 in tuition and fee payments for children and spouses through the Post-9/11 G.I. Bill in that year.

Table 13 shows the total amount of tuition and fee remissions granted to veterans, children, and spouses, the total amount of reimbursement/supplemental payments made to veterans, children, and spouses, HEAB reimbursement payments to institutions, and the net cost of remissions to the UW institutions and Wisconsin technical colleges from 2007-08 to 2017-18. (The net cost of

remissions to the institutions is the sum of the remissions and the reimbursement/supplemental payments less the HEAB reimbursement.) As shown in the table, total remissions to veterans, children, and spouses peaked in 2008-09, the year before students were required to access their federal Post-9/11 G.I. Bill benefits before receiving remissions under state statute. Total remissions declined during the 2009-11 biennium. Remissions at UW institutions have increased in recent years. Remissions costs beyond the amount reimbursed through the HEAB appropriation must be absorbed within the UW System's and the Wisconsin Technical College district boards' budgets or funded through other revenues such as increases in tuition charged to other students.

**6. Tuition Remissions for Children and Spouses of Certain Protective Services Officers (UW System and WTCS).** Current law requires UW and WTCS institutions to grant full remission of fees, including tuition and student segregated fees, to any resident student who is enrolled in a college parallel program or a program leading to a bachelor's degree, associate degree, or vocational diploma and who is the child or surviving spouse of a correctional officer, fire fighter, law enforcement officer, ambulance driver, or emergency medical services technician who was killed in the

line of duty in this state or died as the result of a qualifying disability. In order to be eligible to receive the remission, a child must have been under the age of 21 or not yet born when his or her parent was killed. In 2017-18, the UW System remitted \$59,607 to eight students under this provision; the technical colleges remitted \$4,700 to three students. In each year, \$14,200 GPR is provided to the WTCS Board to cover the cost of these remissions. Funding for these remissions was rolled into the UW System's GPR general program operations appropriation under 2011 Act 32.

**7. Tuition Remissions for Funeral Assistants (UW System and WTCS).** A funeral director may issue a tuition voucher in the amount of \$25 to a student who sounds "Taps" during a funeral for which military honors are held. To be eligible for this voucher, the student must be enrolled in grades 6 through 12 or at a post-secondary institution. These tuition vouchers may be used for the payment of tuition at any UW institution or Wisconsin technical college. In 2017-18, 111 UW students used vouchers totaling \$1,350.

**Other Programs**

**1. College Work-Study (Federal).** This is a campus-based program that provides part-time

**Table 13: Tuition and Fee Remissions to Veterans, Children, and Spouses, Supplemental Payments, HEAB Reimbursements, and the Net Cost of Remissions to the Institutions, 2007-08 to 2017-18**

	UW Institutions				Wisconsin Technical Colleges			
	Reimbursements/ Supplemental Remissions	HEAB Reimbursements	Supplemental Payments	Net Cost to the Institutions	Reimbursements/ Supplemental Remissions	HEAB Reimbursements	Supplemental Payments	Net Cost to the Institutions
2007-08	\$17,489,161	NA	\$3,905,400	\$13,583,761	\$5,006,343	NA	\$1,108,300	\$3,898,043
2008-09	21,572,833	NA	5,117,700	16,455,133	6,088,941	NA	1,444,600	4,644,341
2009-10	19,042,148	\$576,885	4,764,642	14,854,391	5,658,973	\$487,428	1,732,058	4,414,343
2010-11	16,231,342	1,920,347	4,662,443	13,489,246	4,309,030	1,106,388	1,834,257	3,581,161
2011-12	16,210,517	1,780,871	4,610,387	13,381,001	4,303,632	1,134,701	1,886,313	3,552,020
2012-13	17,419,741	1,829,550	4,608,037	14,641,254	4,939,497	1,100,802	1,888,663	4,151,636
2013-14	18,436,709	1,884,706	4,707,307	15,614,108	5,263,409	983,582	1,789,393	4,457,598
2014-15	19,492,200	1,658,892	4,828,852	16,322,240	4,399,463	952,376	1,667,848	3,683,991
2015-16	21,386,776	1,655,790	4,866,297	18,176,269	4,359,143	976,024	1,630,403	3,704,764
2016-17	22,034,282	1,792,198	4,716,557	19,109,923	4,264,823	1,214,121	1,780,143	3,698,802
2017-18	22,812,782	1,543,754	4,846,914	19,509,622	4,149,686	1,048,935	1,649,786	3,548,835

jobs for undergraduate and graduate students. Students may be employed by the institution or public or private employers and must be paid at least the federal minimum wage. In most cases, institutional, public, and private, nonprofit employers must provide at least 25% of the student's salary and private, for-profit employers must provide at least 50% of the student's salary. The remainder of the student's salary is paid by the federal work-study program. Individual institutions may require that employers pay a greater share of the student's salary; by reducing the percentage of the salary paid by the federal work-study program, the institution is able to increase its number of work-study participants. The award amount is based on financial need, availability of funds, and the amount of aid the student receives from other programs. Earnings from work-study jobs are not included in the student's income when reapplying for financial aid in subsequent years. In 2016-17, a total of \$20 million was provided to 11,780 students, averaging \$1,694 per student.

**2. Wisconsin Educational Opportunity Programs (Public Instruction).** The Department of Public Instruction administers a state-funded financial aid program through the Wisconsin Educational Opportunity Program (WEOP). A second financial aid program, the talent incentive program, is administered jointly by HEAB and WEOP and described earlier in this paper. The precollege scholarship program is administered solely by WEOP:

*Precollege Scholarship Program.* This program provides grants to economically disadvantaged middle school and high school students to cover full student costs of precollege programs, including courses, books, supplies, and room and board, if necessary. Precollege programs which emphasize academic skills development, career guidance, curriculum enrichment, and financial aid information are offered to eligible students through UW campuses, technical colleges, and private colleges. The student must first be

admitted to a precollege program to qualify for a scholarship. In 2017-18, 2,422 middle and high school students received a total of \$1,868,500 to fund their participation in precollege programs statewide.

**3. Tuition Assistance for Medical and Dental Students (Medical College of Wisconsin, Marquette Dental School, HEAB).** The state provides funding to the Medical College of Wisconsin and the Marquette Dental School to reduce the amount of tuition charged to Wisconsin resident students enrolled at those institutions. Funding for the Medical College of Wisconsin program is provided through an appropriation for the Medical College; funding for the Marquette Dental School program is provided through an appropriation under HEAB. In 2017-18, 507 Wisconsin resident students enrolled in the Medical College of Wisconsin received \$3,800 in tuition assistance for a total of \$1,926,600. In that same year, 200 Wisconsin resident students enrolled in Marquette Dental School received tuition assistance of \$8,643 for a total of \$1,728,700. Statutes specify a maximum number of 200 for dental students who may receive tuition assistance through this program. There is no statutory limit on the number of Medical College of Wisconsin students who may receive tuition assistance.

**4. Physician and Dentist and Health Care Provider Loan Assistance Programs (UW System).** This program is different from the state-funded loan programs described previously in that the state does not make loans to students through this program. Rather, the state agrees to repay a portion of the participant's existing student loans.

Under the physician and dentist loan assistance program, the UW Board of Regents may repay up to \$50,000 in education loans on behalf of a physician or dentist who agrees to practice in one or more eligible practice areas or dental health shortage areas in this state. For physicians who additionally agree to practice in a rural area, the UW Board of Regents may make loan repayments of

up to \$100,000. Under the health care provider loan assistance program, the Board may repay up to \$25,000 in education loans on behalf of a health care provider, defined as a dental hygienist, physician assistant, nurse midwife, or nurse-practitioner, who agrees to practice in one or more eligible practice areas in this state.

To be eligible for loan repayment, the physician, dentist, or health care provider must enter into a written agreement with the Board in which he or she agrees to practice at least 32 clinic hours per week, 45 weeks per year, for three years in an eligible practice area. Physicians and dentists must also agree to treat patients who are insured by or for whom health benefits are payable under Medicare, medical assistance (MA), or other government programs. Program participants who meet additional requirements may also be eligible for federally-funded loan repayments through the expanded loan assistance program.

Loans to physicians and dentists are repaid as follows: (1) 40% of the principal up to \$20,000 in each of the first and second years; and (2) 20% of the principal up to \$10,000 in the third year. For physicians practicing in rural areas, maximum annual repayments are set at \$40,000 for each of the first and second years and \$20,000 for the third year. Loans to health care providers are similarly repaid as follows: (1) 40% of the principal up to \$10,000 in each of the first and second years; and (2) 20% of the principal up to \$5,000 in the third year.

Total state funding for the physician and dentist and health care provider loan assistance programs is \$738,700 in 2018-19. Of this amount, \$488,700 is from tribal gaming revenues and \$250,000 is from the critical access hospital assessment fund. The critical access hospital assessment funds may only be used to make repayments on behalf of physicians practicing in rural areas. In addition, approximately \$300,000 in federal funding is provided annually for the expanded

loan assistance program. In 2017-18, loan assistance was provided to a total of 76 physicians, dentists, and health care providers. This number includes 24 new awards made to one nurse midwife, one dental hygienist, one physician assistant, six dentists, 12 physicians, and three nurse practitioners.

### **College Savings Programs**

The Department of Financial Institutions (DFI) administers two Section 529 college savings plans, Edvest and Tomorrow's Scholar, under advisement of the College Savings Program Board. Both Edvest and Tomorrow's Scholar are available nationwide. These plans represent two of the 110 qualified state tuition plans under section 529 of the U.S. Internal Revenue Code, designed as a savings vehicle for higher education expenses with certain tax advantages. Wisconsin's plans were initially established by 1999 Act 44, which gave administration of the program to the Office of the State Treasurer. Under 2011 Act 32, program administration was transferred to the Department of Administration (DOA). Later, 2017 Act 59 transferred administration of the program from DOA to DFI.

The College Savings Program Board is composed of 11 members: (a) the Secretary of the Department of Financial Institutions; (b) the President of the University of Wisconsin Board of Regents; (c) the President of the Wisconsin Association of Independent Colleges and Universities; (d) the President of the Wisconsin Technical College System; (e) the Chair of the State Investment Board (or their designees); and (f) six public members appointed by the Governor to four-year terms. The Board's responsibilities include the authority to establish investment guidelines for account contributions, promulgate rules to determine whether an account withdrawal is qualified under federal law, and pay distributions to beneficiaries and eligible educational institutions. The program is managed by TIAA-CREF Tuition Financing, Inc. (TFI). TFI offers the Edvest plan, sold directly to investors, and subcontracts with Voya Investment

Management (formerly named ING U.S. Investment Management) to offer and distribute the Tomorrow's Scholar plan, sold through financial advisors. As of October 29, 2012, advisor-sold Edvest accounts no longer exist. Edvest accounts previously sold through financial advisors were transferred on that date to the Tomorrow's Scholar program.

Under both of the savings plans, any person aged 18 or over may open an account and the beneficiary may be any person, including the account owner. Within each owner-beneficiary relationship, multiple investment portfolios are permitted to allow for investment diversification.

There is no state residency requirement or income limitation for either savings plan. Under TFI management, Edvest accounts require a minimum initial investment of \$25 per investment portfolio. Under Voya Investment Management, Tomorrow's Scholar accounts require a minimum initial investment of \$250 per investment portfolio. The maximum amount that may be contributed to a single beneficiary in aggregate from all sources and plans (including Edvest, Tomorrow's Scholar, and the no longer active Tuition Units program, described in a later section) is \$488,000 for 2019, an amount which must be reviewed and adjusted annually by the College Savings Program Board based on a measure of college tuition inflation. Subject to this aggregate maximum contribution limit, there are no limits on annual contributions to accounts.

The beneficiary may use the proceeds of the account at any eligible post-secondary school in this country or elsewhere. Generally, distributions may be used for a wide range of educational expenses such as tuition and other fees, educational supplies, special needs services, room and board, computers, software, and Internet access services. The federal Tax Cuts and Jobs Act of 2017 (TCJA) expanded this provision to allow distributions, limited to \$10,000 per beneficiary per year, to be used for tuition expenses at public, private, or religious

elementary and secondary schools. State law was amended under 2017 Act 231 to allow distributions under this TCJA provision beginning in tax year 2018. At present, DFI does not have a separate plan for elementary or secondary school savings programs. Rather, account owners can request distributions for elementary or secondary school tuition expenses from the existing college savings plans.

Both plans offer a range of investment choices. There are currently 15 different static portfolio choices under the Edvest college savings plan, and two age-based choices where the contributions in the account are periodically shifted, from more aggressive to more conservative fund portfolios based on the beneficiary's stated age. Investors may choose between aggressive or moderate growth tracks. These age-based portfolios are a blend of multiple underlying funds, primarily passive index funds. The Tomorrow's Scholar college savings plan offers 28 fund portfolio choices and is only available through a financial advisor or fee-only planner. There is one age-based track, five risk-based options, and 22 single fund static options. Federal regulations allow investments in an account to be reallocated twice per year.

College savings account owners may authorize contributions by any individual to an account. In addition, a state tax deduction is allowed for contributions made by any in-state resident to a Wisconsin-sponsored account, regardless of the claimant's relationship to the beneficiary. For taxable years beginning after December 31, 2013, the base amounts that may be deducted (\$3,000 or \$1,500) increase on an annual basis by a percentage equal to the percentage change in the U.S. city average consumer price index for all urban consumers. For tax year 2018, deductions may be made up to \$3,200 (filing single or joint) or \$1,600 (for a divorced parent or if married and filing separately) per beneficiary. The deadline to make contributions for a particular tax year is April 15 of the following year, and any contributions in excess of the maximum deduction can be carried forward to later taxable years.

Investment earnings and distributions from an account established through a section 529 qualified program, including Wisconsin's Edvest and Tomorrow's Scholar programs, programs of other states, and programs administered by private institutions are exempt from both federal and Wisconsin income taxes if the withdrawals are used for qualified elementary or secondary tuition expenses, or qualified higher education expenses. In addition, federal law permits a refund made by an educational institution of a qualified expense paid from a section 529 account to be redeposited to the account without a tax penalty, beginning with refunds of qualified higher education expenses received after December 31, 2014.

Investment earnings on the contributions may be withdrawn for non-higher education expenses, but would be subject to state and federal taxes and are generally subject to an additional 10% federal tax on the earnings. There are limited exceptions to the 10% federal tax addition, such as in the case of death or disability of the stated beneficiary. Section 529 also allows for the change of beneficiaries to another family member of the previous beneficiary without tax penalty.

The Edvest plan does not charge an annual account fee. Account owners are charged asset-based fees that vary by the underlying investments in the selected portfolios. These fees range from 0.00% to 0.33% annually. In addition, Edvest assets are charged a program management fee of 0.08% annually (the state administrative fee of 0.07% is currently waived).

Under the Tomorrow's Scholar college savings plan, there is a \$25 per year account maintenance fee, which is waived for Wisconsin residents. The fee is also waived if an automatic deduction plan has been elected or if the account balance is above \$25,000. Asset-based fees on the underlying investments in Tomorrow's Scholar portfolios range from 0.00% to 1.12% on an annual basis. A yearly program management fee of 0.08% and a distribution and service fee of 0.25% are also charged. The

annual state administrative fee, which services the costs for administering both savings plans, was reduced from 0.10% to 0.07%, effective October 1, 2018.

Total asset-based fees for the Edvest plan, using mostly passive investments, range from 0.00% to 0.41%. Comparatively, total fees for the Tomorrow's Scholar plan, using a blend of actively-managed and passive investments, range from 0.40% to 1.52%. As of June 30, 2018, Edvest had a total of 172,818 direct-sold open accounts with assets of \$3,149,079,800, and Tomorrow's Scholar had 145,544 advisor-sold open accounts with assets of \$1,967,186,300.

*College Tuition and Expenses Program.* From July, 1997, to December, 2002, investors could participate in the college tuition and expenses program, also known as the tuition unit purchase program. The State Treasurer discontinued this program in December, 2002, barring any future enrollments or the sale of any new tuition units to current accountholders. Current tuition unit account holders may continue to hold their tuition unit investments until maturity or may convert their account to any of the investment choices now offered under the state's college savings program. As of June 30, 2018, there were 299 accounts under this program with total assets of \$3,270,000. The assets of these remaining accounts are invested by the State of Wisconsin Investment Board.

## **Tax Incentives**

**1. Business Tax Credit for College Savings Account Contributions (State).** Beginning in tax year 2018, a nonrefundable tax credit, created under 2017 Act 197, can be claimed by employers against the state individual income tax and the corporate income/franchise tax equal to 25% of the amount an employer pays into an employee's section 529 college savings account (described above). The maximum amount of deposit that is eligible for the credit is equal to 25% of the

maximum amount an individual employee may deduct. For tax year 2018, an employee's maximum deduction for each beneficiary is \$1,600 if the employee is divorced or married and filing separate or \$3,200 if single or married and filing jointly. The maximum employer contribution eligible for the credit in tax year 2018 is \$400 per beneficiary for an employee who is divorced or married filing separate ( $\$1,600 \times 25\%$ ) and \$800 per beneficiary for an employee who is single or married and filing joint ( $\$3,200 \times 25\%$ ). As a result, the maximum credit for the employer's contributions for each employee is \$100 ( $\$400 \times 25\%$ ) and \$200 ( $\$800 \times 25\%$ ), respectively.

**2. Higher Education Tax Deduction (State and Federal).** Since tax year 1998, state law has allowed a deduction from income for tuition expenses. The deduction applies to tuition, including mandatory student fees, paid on behalf of the taxpayer or the taxpayer's dependent child. Allowable tuition expenses include tuition paid to attend any university, college, technical college, or school approved by the education approval program under the Department of Safety and Professional Services that is located in Wisconsin, or to attend an institution under the Minnesota-Wisconsin tuition reciprocity agreement. A student cannot claim a tuition deduction for tuition and fee amounts paid using a distribution from a Wisconsin 529 account.

The maximum tuition deduction equals twice the average amount of resident undergraduate tuition charged by UW System four-year institutions for the most recent fall semester. For tax year 2018, the maximum deduction was \$6,974.

The deduction is phased out based on filing status and federal adjusted gross income (AGI), indexed for inflation. For 2018, the phase-out ranges are as follows: (a) \$54,191 to \$65,029 for single and head-of-household filers; (b) \$86,701 to \$108,379 for married couples filing joint returns; and (c) \$43,351 to \$54,189 for married couples

filing separate returns.

Prior to tax year 2018, a federal deduction was permitted for qualified higher education expenses. The maximum federal deduction was set at \$4,000, but limited based on the taxpayer's AGI. Due to the state deduction, Wisconsin did not adopt the federal deduction for state purposes. Taxpayers claiming the federal deduction could not claim the American Opportunity tax credit.

**3. American Opportunity Tax Credit (Federal).** The American Opportunity tax credit was enacted on a temporary basis as an enhancement to the Hope Scholarship tax credit for tax years 2009 through 2017. In December, 2015, P.L. 114-113 made the enhancements permanent, so the American Opportunity tax credit now permanently replaces the Hope Scholarship tax credit.

The American Opportunity tax credit is available to individuals who pay qualified post-secondary educational expenses for either themselves, their spouse, or a dependent and is available for up to four years. Degree-seeking students must be enrolled at least half-time at an eligible educational institution, which typically is any accredited public, nonprofit, or proprietary post-secondary institution. Qualified expenses include tuition, required fees, and course materials less any grants, scholarships, or other tax-free financial assistance.

The tax credit equals up to 100% of the first \$2,000 and 25% of the second \$2,000 in expenses, resulting in a maximum credit of \$2,500 per student per year. Taxpayers may claim the credit for multiple students in the same year, but only for four years for each student. Up to 40% of the credit is refundable. The credit is phased out for taxpayers with taxable incomes between \$80,000 and \$90,000 for single filers and between \$160,000 and \$180,000 for joint filers.

**4. Lifetime Learning Tax Credit (Federal).** Tax filers may claim a lifetime learning tax

credit if they pay qualified tuition and related expenses of higher education for any course of study to acquire or improve job skills for themselves, a spouse, or a dependent. The student may be enrolled less than half-time, and there is no limit on the number of years that the credit may be claimed. The credit is not refundable and equals 20% of the first \$10,000 in qualified tuition and related expenses, but no expenses pertaining to a student for whom an American Opportunity tax credit is claimed are allowed. In 2018, the credit was phased out for taxpayers with taxable incomes between \$57,000 and \$67,000 for single filers, and between \$114,000 and \$134,000 for joint filers.

**5. Coverdell Education Savings Accounts (State and Federal).** Married taxpayers filing joint tax returns and individual filers (including the beneficiary) may contribute up to \$2,000 per designated beneficiary per year to a Coverdell Education Savings Account (CESA, formerly called an Education IRA). There are no relationship requirements between the contributor and the beneficiary. While contributions are not deductible from income, interest earnings are tax exempt and withdrawals are excluded from the beneficiary's income if used for eligible education expenses. Under coordination rules with other tax deductions and credits for education, qualified expenses for purposes of a CESA are reduced to reflect other education tax benefits taken.

The ability of an individual to make a contribution to a CESA is phased out for contributors with income between \$95,000 and \$110,000 (between \$190,000 and \$220,000 for joint filers). Funds from a CESA may be used to pay for qualified elementary and secondary education expenses in addition to qualified higher education expenses.

**6. IRA Withdrawals (Federal).** Early (before age 59½) withdrawals from a traditional IRA are not subject to the 10% tax penalty provided the distributions are used for postsecondary education expenses of the taxpayer, or the taxpayer's spouse,

child, or grandchild.

**7. Student Loan Interest Deduction (State and Federal).** An individual may deduct up to \$2,500 annually for interest paid on student loans during the life of the loan. For tax year 2018, the deduction is phased out for single filers with taxable income between \$65,000 and \$80,000 and for joint filers with taxable income between \$135,000 and \$165,000.

**8. Employer-Provided Education Benefits (State and Federal).** Taxpayers may exclude from their taxable income up to \$5,250 in educational assistance benefits received from their employer. Eligible benefits include payments for tuition, fees, books, supplies, and equipment. Courses do not have to be related to the business of the employer.

---

## Financial Aid Package

---

After a student applies for financial aid, the college attempts to meet as much of a student's need as possible with a financial aid package. Institutional financial aid officers are responsible for packaging a student's financial aid based on the needs analysis. Packaging is the selection of various types and amounts of aid which enable a student to pay for educational costs. Some elements of a financial aid package are automatically included such as Pell Grants, which are determined when EFC is determined by the federal processor, and Wisconsin Grants, which are calculated by HEAB. Funding from other programs such as the Supplemental Educational Opportunity Grant, college work-study, and institutional aid are controlled and distributed by an institution's financial aid office.

The package is developed in a hierarchy. Generally, students are awarded all available grants before any loans, which are less desirable,

are added to the package. In 2016-17, grants and scholarships accounted for 52.7% of all financial aid received, loans accounted for 45.7%, and work-study for 1.6%. This ratio varies by the type of institution attended: grants and scholarships account for 62% of the aid at independent colleges, 48% at technical colleges, and 46% at UW institutions.

Once the financial aid office has compiled the student's financial aid package, the student must accept or decline the aid provided through each program. A student is not obligated to accept the entire package. For example, a student could accept the grant and work-study aid but refuse the loans. Students must be registered for classes before aid can be issued to them at the beginning of a semester. They are also required to pay their tuition and fees with the proceeds of the aid before the remaining aid can be distributed to them.

Table 14 compares the average cost of attendance, student financial need, and need-based aid awarded by type of institution over the most recent five-year period for which information is

available. As shown in the table, the average amount of need-based aid received by students enrolled in UW institutions, Wisconsin technical colleges, and private colleges and universities located in this state has generally increased over the most recent five years. However, there have been significant differences between the three sectors in terms of changes in cost of attendance and students' expected family contributions, which is a measure of their ability to pay.

At UW institutions, cost of attendance decreased by approximately \$331 over the time period shown while the average expected family contribution increased by \$922. While the average need-based aid provided decreased slightly (by \$16), the increased family contribution and decreased average cost led to a decrease in unmet need over the period. Over the same period, the average cost of attending a technical college increased from 2012-13 to 2016-17 by nearly \$1,700 while technical college students' ability to pay increased by \$351. As a result, average unmet need for technical college students increased by almost \$1,100 despite an increase in need-based

**Table 14: Financial Aid Data by Institution Type: Resident Undergraduates**

	No. of Recipients	Avg. Cost	Avg. Contribution	Avg. Need	Avg. Aid	Unmet Need
<b>UW System</b>						
2012-13	72,352	\$19,483	\$5,887	\$13,596	\$7,773	\$5,823
2013-14	72,708	18,647	6,065	12,582	7,521	5,061
2014-15	70,871	18,732	6,678	12,054	7,604	4,450
2015-16	67,278	18,912	7,172	11,740	7,359	4,381
2016-17	62,211	19,152	6,809	12,344	7,757	4,586
<b>Technical Colleges</b>						
2012-13	58,226	\$13,816	\$2,461	\$11,355	\$5,233	\$6,122
2013-14	54,674	13,983	2,485	11,498	5,295	6,203
2014-15	56,054	15,281	2,392	12,889	5,494	7,395
2015-16	50,243	15,364	2,670	12,694	5,279	7,415
2016-17	46,247	15,487	2,812	12,676	5,469	7,207
<b>Private Colleges</b>						
2012-13	23,462	\$32,858	\$8,106	\$24,752	\$11,466	\$13,287
2013-14	22,411	35,351	8,528	26,823	11,639	15,184
2014-15	21,285	36,354	9,596	26,758	12,519	14,239
2015-16	21,880	37,277	9,949	27,328	12,915	14,413
2016-17	20,079	39,132	10,736	28,396	13,023	15,373

financial aid. At the private, non-profit institutions, both cost of attendance and the average students' expected family contribution increased over the time period shown. Increases in costs at those institutions were greater than both the increase in students' ability to pay and need-based financial aid, resulting in an increase in unmet need for those students.

---

### Interstate Comparisons

---

Over the last 10 years, the amount of need-based aid provided by states has increased both in Wisconsin and nationwide. From 2006-07 to 2016-17, expenditures for state-funded, HEAB-administered need-based grant programs increased from \$90.6 million to \$115.0 million, or 27%. Nationwide, state-funded, need-based grant aid increased by an even greater amount, from \$5.5 billion in 2006-07 to \$8.4 billion in 2016-17, for an increase of 53%.

Wisconsin is one of 25 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 scholarship program totaled \$2.9 million in 2016-17, or 2.3% of HEAB's total student financial aid expenditures. By comparison, merit-based aid expenditures accounted for an average of 39.6% of all student aid expenditures in the 24 other states that had merit-based aid programs.

The appendix to this paper compares the primary need-based grant programs in each of the 50 states and the District of Columbia. The table highlights the different approaches used by various states in distributing need-based aid. Some states, such as Mississippi, Texas, and Idaho, provide relatively generous grants to a small number of students. Others, such as Maine, Rhode Island,

and New Mexico, provide smaller grants to a larger number of students. Two states, including Georgia and New Hampshire, do not provide need-based grant aid. In comparison to other states, Wisconsin provides slightly smaller grants to a somewhat larger proportion of students.

When comparing funding for student financial aid across the states, it is important to do so in the context of the tuition policy decisions made by those states. Some states, such as Utah, New Mexico, Louisiana, and Oklahoma, provide low amounts of need-based financial aid but also charge relatively low tuition. These states provide a large higher education subsidy to all students by requiring them to pay a smaller amount of their educational costs through tuition. Other states, such as New Jersey, Illinois, and Pennsylvania, charge high tuition and provide high amounts of need-based financial aid. These states target higher education subsidies to those students who have the greatest financial need. A third group of states, including New York, West Virginia, and North Carolina, offer both low tuition and high amounts of need-based financial aid. When compared to other states, Wisconsin charges moderate amount of tuition and provides a moderate amount of financial aid.

Table 15 compares tuition and fees charged by public flagship universities in Midwestern states

**Table 15: Peer Tuition and Fees at Flagship Campuses and Estimated State-Funded Need-Based Undergraduate Aid (2016-17)**

	Resident Undergraduate Tuition-Fees	Estimated Grant Dollars per FTE*	Grants as % of Tuition
Indiana	\$10,388	\$955	9.2%
Minnesota	14,142	787	5.6
Wisconsin	10,488	508	4.8
Illinois	15,698	699	4.5
Iowa	8,575	340	4.0
Ohio	10,037	188	1.9
Michigan	14,402	245	1.7

\*Grant dollars per FTE data from National Association of State Student Grant and Aid Programs.

and the estimated state-funded need-based grant aid per undergraduate full-time equivalent (FTE) student in 2016-17. The data shown in Table 15 is different from that shown in the appendix in that it includes all need-based grant aid, as opposed to only the primary need-based grant program. The appendix also shows the average grant amount instead of aid per FTE undergraduate student.

As shown in the table, a smaller amount of grant dollars in one state may cover a larger

proportion of a student's tuition and fees than a larger grant in another state if the first state's tuition is significantly lower than the tuition and fees charged in the second state. For example, Wisconsin provides a lower amount of aid per undergraduate student than Illinois does; however, the aid provided by Wisconsin pays for a greater proportion of tuition and fees than the aid provided by Illinois does because tuition and fees are lower in Wisconsin.

## APPENDIX

### Summary of the Primary Need-based Grant Program in Each State and the District of Columbia, 2016-17\*

	Average Grant Amount	Average Grant as % of Average Tuition and Fees at Public, Four- Year Institutions	Number of Recipients as a % of State Full-Time Equivalent Undergraduate Students
Mississippi	\$5,756	77.7%	2.2%
California	5,649	60.4	20.1
New Jersey	5,437	40.1	23.3
Texas	4,950	51.7	7.2
Iowa	4,359	52.7	6.8
Washington	4,194	45.2	25.5
District of Columbia	3,508	66.8	0.7
Indiana	3,469	37.7	13.5
New York	3,320	43.1	31.7
Maryland	2,857	30.5	12.3
Illinois	2,850	21.5	26.1
South Carolina	2,849	23.4	24.2
Idaho	2,669	38.1	4.7
Pennsylvania	2,637	19.0	29.6
Connecticut	2,362	20.1	8.2
West Virginia	2,312	30.9	19.4
Minnesota	2,290	20.9	36.2
Nevada	2,246	32.5	1.4
North Carolina	2,244	31.2	26.0
Alaska	2,243	32.6	14.1
Colorado	2,051	20.0	25.0
Vermont	1,992	12.9	25.7
Virginia	1,937	15.7	15.3
Kansas	1,751	19.6	6.4
Oregon	1,713	17.7	26.8
North Dakota	1,680	21.3	16.8
Missouri	1,676	19.4	17.7
<b>Wisconsin</b>	<b>1,674</b>	<b>18.7</b>	<b>27.3</b>
Hawaii	1,637	15.3	0.4
Kentucky	1,525	15.3	27.4
Tennessee	1,454	15.3	22.3
Delaware	1,404	11.8	2.0
Ohio	1,379	13.4	15.2
Maine	1,315	13.6	29.2
Nebraska	1,306	16.6	14.7
Florida	1,207	19.0	16.9
Massachusetts	1,069	8.7	13.3
Louisiana	1,064	12.0	14.3
Utah	897	13.6	1.2
Oklahoma	896	11.2	10.7
Rhode Island	853	7.5	17.6
Michigan	786	6.3	9.0
South Dakota	749	9.2	0.8
New Mexico	733	11.1	18.9
Arkansas	723	8.8	7.1
Arizona	712	6.5	0.8
Alabama	675	6.7	2.0
Montana	0	0.0	0.0
New Hampshire	0	0.0	0.0
Georgia	0	0.0	0.0
<b>Average</b>	<b>\$2,061</b>	<b>22.9%</b>	<b>14.4%</b>

\*No information was available regarding the primary need-based grant program in Wyoming.

Source: National Association of Student Grant and Aid Programs 46th Annual Survey Report and the College Board "Trends in College Pricing 2016-17"