



## Legislative Fiscal Bureau

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July 19, 2011

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Higher Educational Aids Board: Section 13.10 Request for the Transfer Funding  
Between Appropriations -- Agenda Item VII

### REQUEST

The Higher Educational Aids Board (HEAB) requests that \$858,528 be transferred from the appropriation for talent incentive grants to the appropriations for Wisconsin higher education grants (WHEG) for technical college students (\$282,702) and tuition grants (\$575,826).

### BACKGROUND

The WHEG-UW, WHEG-TCS, and the tuition grant programs are the three largest state-funded student financial aid programs. To be eligible for a grant through one of these programs, a student must be a state resident and must be enrolled at least half-time as an undergraduate student at a UW institution, a technical college, or a private, nonprofit, accredited postsecondary institution located in this state.

All WHEG-UW, WHEG-TCS, and tuition grant awards are based on the student's and his or her family's financial need. By statute, WHEG-UW and WHEG-TCS grants are awarded using formulas that are approved by HEAB and that account for expected parental and student contributions and are consistent with generally accepted definitions and nationally approved needs analysis methodology. Tuition grants are awarded based on a formula that incorporates a number of factors including the total amount of tuition charged by the institution, the student's total cost of attending the institution, resident undergraduate tuition charged by UW-Madison, and the student's expected family contribution as determined by the U.S. Department of Education.

HEAB provides institutions with a list of students who may be awarded WHEG-UW,

WHEG-TCS, or tuition grant funds and the amount which each student may be awarded. As financial aid packages are generally prepared in advance of a student enrolling in a college or university, HEAB makes awards prior to knowing how many students will enroll. Based on historical data, HEAB can estimate the proportion of students who will accept each particular award and base the number and amount of its awards on that data. The total amount of tuition grants that HEAB can award is limited by statute to 122% of the amount appropriated in any given year. HEAB generally limits WHEG-UW and WHEG-TCS awards to 128% and 167%, respectively, of the amounts appropriated. In 2010-11, HEAB reduced the total amount of WHEG-TCS awarded to 164%, based on relatively higher number of students accepting awards in recent years.

Table 1 compares program expenditures to the amounts appropriated for the WHEG-UW, WHEG-TCS, and tuition grant programs in each year from 2005-06 to 2009-10. The appropriations for the WHEG-TCS and tuition grant programs are biennial appropriations meaning that funds can be transferred between the two years of any biennium. This allows HEAB to carry funds forward into the next fiscal year in the case that expenditures are less than the amount appropriated and to encumber funds from next fiscal year in that case that expenditures exceed the amount appropriated. The appropriation for the WHEG-UW program is a capped sum sufficient appropriation. A partial veto of 2005 Act 25 increased funding for the WHEG-UW program in the first year of the 2005-07 biennium. HEAB was able to encumber a portion of these funds to provide additional WHEG-UW awards in the 2006-07 fiscal year.

**TABLE 1**

**Expenditures and Appropriations for the WHEG-UW, WHEG-TCS,  
and Tuition Grant Programs, 2005-06 to 2009-10**

	<u>WHEG-UW</u>		<u>WHEG-TCS</u>		<u>Tuition Grant</u>	
	<u>Expenditures</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Appropriation</u>
2005-06	\$40,992,516	\$45,057,200	\$15,792,630	\$15,766,400	\$25,510,951	\$23,429,900
2006-07	43,315,582	39,280,600	16,684,004	16,712,400	22,757,518	24,835,700
2007-08	49,830,841	50,000,000	16,905,950	17,130,200	24,928,869	25,456,600
2008-09	54,986,218	55,000,000	18,022,956	17,548,000	26,567,410	26,077,500
2009-10	54,977,370	55,000,000	16,686,129	18,162,200	25,909,981	26,338,300

The talent incentive grant program (TIP) provides grants to the most needy and educationally disadvantaged students. Similar to the WHEG-UW, WHEG-TCS, and tuition grant programs, TIP recipients must be state residents and must be enrolled at least half-time as an undergraduate student at a UW institution, technical college, or private, nonprofit, accredited postsecondary institution located in this state. TIP recipients are selected by the staff of the Wisconsin Educational Opportunity Program (WEOP) in the Department of Public Instruction and institutional financial aid officers. TIP is supported by a state GPR appropriation and federal matching funds. Freshman TIP awards, which can range from \$600 to \$1,800, are made by financial aid officers and WEOP

counselors. Only students who received TIP awards as freshman are eligible to receive TIP awards as upperclassmen and students who are awarded TIP grants as freshman are guaranteed TIP funding as upperclassmen. HEAB determines the maximum TIP award for upperclassman each year based on the number of eligible students and the amount of state and federal funding provided.

From 2008-09 to 2009-10, the number of continuing TIP students decreased from 4,742 to 4,254. As a result of this decrease in enrollment and other factors, total TIP expenditures decreased from \$5.9 million in 2008-09 to \$4.4 million in 2009-10. Similar to the appropriations for the WHEG-TCS and tuition grant programs, the appropriation for talent incentive grants is a biennial appropriation and \$1,530,181 was carried forward from the 2009-10 fiscal year to the 2010-11 fiscal year. HEAB was able to spend a portion of this additional funding by increasing the award for continuing TIP recipients in 2010-11 to \$1,800, which is the maximum allowable by law. As of June 30, 2011, HEAB had expended \$5,121,243 of the \$5,988,981 total available for the talent incentive grant program in 2010-11. The appropriation balance is \$867,738. If the Committee takes no action, this amount will lapse to the general fund.

## **ANALYSIS**

HEAB has indicated that the total amount of grants awarded to students exceeded the amount appropriated for all three of the major state-funded, need-based aid programs in the 2010-11 fiscal year. This means that the number of students who were awarded grants from each of these three programs and subsequently enrolled was higher than was expected based on historical data. In addition, HEAB staff reports that a greater number of financial aid directors used what is called "professional judgment" to increase students' WHEG-UW, WHEG-TCS, and tuition grant awards in this year than in past years. Under federal law, financial aid directors may use "professional judgment" to adjust a student's financial aid package in the case that a student's financial situation changes significantly between the time that the student applies for financial aid and when the student enrolls. Examples of such changes include the death of a parent or a parent becoming unemployed.

The UW System was able to fund the additional WHEG-UW awards by using funds provided in its general program operations appropriation for tuition increase grants. Created under 2009 Act 28, the tuition increase grant program provides grants corresponding to the amount of the increase in resident undergraduate tuition to students whose family income is less than \$60,000, who have unmet need, and who have not been awarded a WHEG-UW grant. In 2010-11, \$6.4 million GPR and \$1.9 million PR transferred from the UW System's auxiliary enterprises reserves was provided to fund tuition increase grants. In April, 2011, the UW System estimated that it would use less than the total amount provided for the tuition increase grants and that a portion of those funds could be used to fund the additional WHEG-UW awards. According to HEAB, the WHEG-UW shortfall was \$1,332,367.

If additional funding is not provided to fund the additional WHEG-TCS and tuition grant awards, the individual technical colleges and private colleges and universities would have to fund

those awards. Table 2 shows the unfunded awards by institution. In general, institutions that have relatively higher number of unfunded awards are those that requested funding from HEAB later in the fiscal year. In particular, the Milwaukee School of Engineering, which has the highest amount of unfunded awards, operates on a trimester schedule and did not request funding from HEAB until after the third trimester began in March.

**TABLE 2**

**Amount of Shortfall by Institution**

<u>WHEG-TCS</u>			<u>Tuition Grant</u>		
<u>Institution</u>	<u>Number of Unfunded Awards</u>	<u>Total Amount of Unfunded Awards</u>	<u>Institution</u>	<u>Number of Unfunded Awards</u>	<u>Total Amount of Unfunded Awards</u>
Blackhawk	2	\$1,049	Alverno College	38	\$45,848
Chippewa Valley	8	3,743	Beloit College	4	5,800
Fox Valley	2	657	Cardinal Stritch	48	49,797
Gateway	246	138,247	Carthage College	31	43,416
Indianhead	4	4	Concordia University	1	1,450
Madison	6	2,899	Edgewood College	39	40,622
Mid State	2	1,204	Lawrence College	57	54,677
Milwaukee	44	24,690	Maranatha College	1	753
Moraine Park	1	602	Marian College	17	21,220
North Central	6	2,645	Marquette University	9	11,595
Northeast	182	98,678	Milwaukee Institute of Art and Design	1	725
Southwest	3	1,343	Milwaukee School of Engineering	214	205,908
Waukesha	7	3,049	Mount Mary College	46	55,631
Western	<u>3</u>	<u>1,456</u>	Northland University	14	3,151
Total	516	\$280,266	Ripon College	11	14,692
			Silver Lake College	4	2,976
			St Norbert College	5	7,250
			Viterbo College	5	5,692
			Wisconsin Lutheran College	<u>1</u>	<u>1,447</u>
			Total	546	\$572,650

The amounts shown in Table 2 are less than the amounts requested by HEAB due to refunds that HEAB has received from individual institutions in the time since the request was submitted. Institutions refund amounts to HEAB when students who were awarded grants become ineligible for those grants, generally due to a decrease in enrollment, or become eligible for a lesser grant amount, generally due to an increase in other financial aid awards. If the Committee does wish to transfer funds from the appropriation for talent incentive grants, a total of \$853,000 should be transferred to the appropriations for WHEG-TCS (\$280,300) and tuition grants (\$572,700).

## **ALTERNATIVES**

1. Approve the transfer of \$853,000 from the appropriation for talent incentives grants to the appropriations for WHEG-TCS (\$280,300) and tuition grants (\$572,700). The balance of the talent incentive grant appropriation, which would be \$14,738, would lapse to the general fund.

2. Deny the request. The individual technical colleges and private colleges and universities would have to fund the shortfall in the amounts shown in Table 2. The balance of the talent incentive grant appropriation, which was \$867,738 as of June 30, 2011, would lapse to the general fund.

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