



## Legislative Fiscal Bureau

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May 16, 2001

Joint Committee on Finance

Paper #530

### **Academic Excellence Scholarship Program (HEAB)**

[LFB 2001-03 Budget Summary: Page 418, #3 and Page 419, #4]

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#### **CURRENT LAW**

The academic excellence higher education scholarship (AES) program provides scholarships to selected 12<sup>th</sup> grade students who have the highest grade point average (GPA) in each public and private high school in the state and who attend a participating postsecondary institution in Wisconsin. The number of scholarships for which each high school is eligible is based on total student enrollment. For students who initially received a scholarship prior to 1996-97, the award covers full tuition and fees at a UW campus or technical college, or an amount equal to UW-Madison tuition and fees for students attending private institutions. A provision in the 1995-97 state budget act capped the total scholarship amount at \$2,250 per student, per academic year beginning with students enrolling as freshmen in the 1996-97 academic year.

Half of each scholarship is funded by the state, through a sum sufficient appropriation within the Higher Educational Aids Board (HEAB), and the other half is provided by the postsecondary institution.

#### **GOVERNOR**

Increase funding for the academic excellence scholarship program by \$62,000 annually to reflect a reestimate of the amount required to fully fund the scholarships in the 2001-03 biennium. Total funding would increase from \$2,855,000 in 2000-01 to \$2,917,000 in each year of the 2001-03 biennium.

In addition, change the name of the program to the "Governor Thompson scholarship program" and require HEAB, in any printed material or other information disseminated or

otherwise distributed by the Board, to refer to the program as the "Governor Thompson scholarship program" and to refer to students who receive the award as "Governor Thompson scholars."

## DISCUSSION POINTS

1. The AES program was created in 1989 Act 31 (the 1989-91 state budget act) after concerns were raised that many of the state's most academically qualified high school students were choosing to attend out-of-state colleges and were, therefore, less likely to settle in Wisconsin after completing their degrees. It was argued at the time that a primary cause of this "brain drain" was the lack of a nonneed-based scholarship program in the state. The AES awards, which initially covered full tuition and fees at a UW or WTCS institution or an amount equal to UW-Madison tuition for students attending private colleges, were intended to address this issue.

2. In order to evaluate the success of the program in accomplishing its intended purpose, in the spring of 2000, HEAB surveyed each of the 1,034 students who were eligible to receive grants or were alternates in 2000-01 and received responses from 848 (82.0%) students. Of the respondents, 746 chose to attend college in Wisconsin and 412 (55.2%) of these students indicated that the scholarship had influenced their decision to remain in the state. In addition, 10 of the respondents who attended out-of-state colleges stated that the AES award had prompted them to consider remaining in Wisconsin, although they ultimately chose an out-of-state college. A similar survey conducted by HEAB in 1995 of students who had been eligible to receive grants in 1990-91, found that 65% of the respondents that chose to attend college in Wisconsin were influenced by the AES scholarship.

3. The following table shows the participation rates in the program for freshmen, the number of AES recipients by class and HEAB's total expenditures for the program during the most recent four years.

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01*</u>
<b>Eligible Freshmen</b>	827	838	847	860
% Enrolled	81.1%	83.1%	82.5%	88.5%
<b>Enrolled Scholars</b>				
Freshman	671	704	736	763
Sophomore	631	630	694	651
Junior	595	608	630	622
Senior	<u>599</u>	<u>644</u>	<u>661</u>	<u>627</u>
Total Enrolled	2,496	2,586	2,721	2,665
<b>HEAB Expenditures</b>	\$3,169,600	\$3,130,300	\$2,846,800	\$2,898,500

\*Projected

4. The number of scholars, by class, decreases as students continue with their education. For example, at the end of 1999-00, 141 of the scholars had lost eligibility due to an insufficient number of credits or a GPA below the 3.000 minimum. However, some of these students may have regained eligibility and resumed receiving the scholarship in 2000-01.

5. In 1999-00, 2,270 (83.4%) of the enrolled scholars attended UW institutions, 437 (16.1%) attended private colleges and 14 (0.5%) attended technical colleges. A total of 1,366 (50.2%) scholars were enrolled at UW-Madison. The other campuses with the largest number of AES recipients were UW-Eau Claire (147), UW-La Crosse (132), Marquette University (130) and UW-Milwaukee (108).

6. According to HEAB, the additional funding reflects an increase in participation and eligible students due to a statutory change enacted under 1999 Act 9. Under prior law, if a student who was initially selected for the AES did not use the scholarship, the scholarship was awarded to an alternate with the same grade point average (GPA). However, a provision in Act 9 specified that this requirement does not apply to a high school that applies different weights to courses in determining each student's GPA. For these schools, if there are no other senior students with the same GPA as the originally designated scholar, the senior with the next highest grade point average would be named the alternate scholar. As a result, more students are eligible as alternates to receive the AES; in 1999-00, 69 alternates received scholarships.

### **Scholarship Cap**

7. The \$2,250 cap on the total amount of the scholarship was established to control the escalating cost of the program. In 1996-97, when the cap was first implemented for new freshmen recipients, the maximum total award amount for all other scholars was \$3,100. At that time, only the two-year UW Colleges charged total tuition and fees that were below the cap of \$2,250. Now that all four classes, freshmen through seniors, have a tuition cap limiting their scholarship, spending in the program has stabilized. Total tuition and fees exceeds the cap at all 26 UW campuses.

8. It has been suggested that the growing gap between the maximum AES amount and actual tuition and fees may erode the scholarship's influence on a recipient's decision to remain in the state and that the cap should be adjusted to reflect current higher tuition rates. For example, since the largest percentage of scholars enroll in the UW System, the cap could be increased by the same percentage by which UW tuition has increased since 1996-97. Applying the increases in tuition for resident undergraduates for 1997-98 (7.9%), 1998-99 (4.9%), 1999-00 (6.9%) and 2000-01 (0%) to the current cap would result in a new cap equal to \$2,725. Based on past participation rates in the program, raising the cap to \$2,725 for all AES students beginning in 2002-03 would cost an estimated \$641,300 in 2002-03 above the amount provided in the bill. However, at this level, the maximum scholarship would still be \$1,063 below total tuition and fees at the highest-cost campus (Madison) in 2000-01 and would not take into consideration tuition increases that will occur in the

2001-03 biennium.

9. Increases in UW tuition are determined by the Board of Regents and depend on the level of funding provided in the University's budget and on salary increases provided in the state's compensation plan. Actual tuition rates will not be approved by the Regents until July 2001 for the 2001-02 academic year and June 2002 for the 2002-03 academic year. If for estimating purposes, one assumes that tuition will increase by an average of 7% in each year of the 2001-03 biennium, the cap could be adjusted to \$3,120 to account for these increases as well as increases between 1997 and 2001. If this increase to the cap first applied to all AES students in 2002-03, the state's share of the cost of the program would increase by an estimated \$1,174,500 in 2002-03 above the amount provided in the bill. However, this type of link has not been made as a matter of policy, because the Legislature has no control over annual increases in tuition; instead, the non-elected Board of Regents that governs the UW System makes the tuition decisions. Linking the AES cap to changes in tuition could shift control over the level of GPR expenditures under this program to the decision of a non-elected board.

10. If the maximum scholarship amount were increased, the colleges at which the scholars enrolled would incur additional costs equal to those incurred by the state. Staffs at the WTCS Board and the Wisconsin Association of Independent Colleges and Universities indicate that technical colleges and private colleges are not likely to oppose an increase in the cap due to the relatively small number of scholars enrolled at a given campus and the desirability of these students to the campus. UW System staff indicate that the reaction of UW campuses to such an increase would depend on the amount of the increase and the number of scholars enrolled at the particular campus. Much of the University's share of the cost of the program is provided through tuition remissions. In 1999-00, remissions were used to fund approximately \$2.3 million of UW campuses' required \$2.46 million match. As such, any additional costs for the scholarships that are incurred by UW campuses are likely to be passed on to all other UW students in the form of higher tuition rates.

11. It is difficult to assess the impact of increasing the cap on the percentage of eligible students accepting the scholarship. In 1996-97, the first year that the cap was implemented, the percentage of students accepting the scholarship reached 86%, the highest in the program's history. Although the participation rate has dropped to an estimated 83% since then, this percentage is higher than in each year from 1990-91 through 1994-95. The 88.5% acceptance rate projected in 2000-01 reflects the law change relating to alternates, and is not directly comparable to prior years. In addition, a number of factors aside from affordability may influence a student's college selection. These include the school's reputation, overall or in a particular discipline, the physical attributes of the campus, contact with faculty members and the institution's recruitment efforts. Nonetheless, a 2000 survey of AES recipients conducted by HEAB found that the number students who were influenced by the AES to attend a Wisconsin school fell to 55% as compared to 65% in a similar survey conducted in 1990.

12. The state currently supports 10 need-based financial aid programs administered by HEAB. The bill would provide no annual increases in funding for the three largest of these programs, the Wisconsin higher education grant programs for UW and WTCS students and the

tuition grant program for students attending private colleges. Funding for six of the remaining seven need-based programs administered by HEAB as well as two need-based programs administered by the UW System, the Lawton minority undergraduate grant program and the advanced opportunity program (AOP), for minority and economically disadvantaged graduate students, would remain at the 2000-01 base level. Funding for the WHEG grant for tribal college students would increase by \$4,000 (1.0%) in 2002-03. One could argue that priority for additional funding should be given to these need-based programs, some of which have not received an increase in several years.

**Program Name**

13. The program’s name was chosen by the Legislature when the program was created in the 1989-91 state budget; the name proposed at that time by the Governor was the "Governor’s scholars program." Governor Thompson proposed changing the name to "Governor’s scholars program" in the 1993-95, 1995-97, 1997-99 and 1999-01 biennia which was deleted by the Legislature in its deliberations on the budget bill in each biennium.

14. The Governor’s current budget proposal would change the name of the AES program to the "Governor Thompson scholarship program." It could be argued that the program’s current name honors the academic excellence of the state’s brightest students, and that it should continue to reflect the academic nature of the program.

**ALTERNATIVES**

**A. Scholarship Cap**

1. Approve the Governor’s recommendation to increase funding for the program by \$62,000 GPR annually to reflect a reestimate of the amount required to fully fund the scholarships in the 2001-03 biennium. The current cap of \$2,250 on the maximum total scholarship would be maintained.

2. Modify the Governor’s recommendation by increasing the cap on the maximum total scholarship amount to \$2,725 for all AES students beginning in 2002-03 and increase funding for the program by \$641,300 in 2002-03 to provide the estimated amount necessary to fully fund the program under the new cap.

<b>Alternative 2</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Bill)	\$641,300

3. Modify the Governor’s recommendation by increasing the cap on the maximum total scholarship amount to \$3,120 for all AES students beginning in 2002-03 and increase funding for the program by \$1,174,500 in 2002-03 to provide the estimated amount necessary to fully fund the program under the new cap.

<b>Alternative 3</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Bill)	\$1,174,500

**B. Program Name**

1. Approve the Governor's recommendation to change the name of the program to the Governor Thompson scholarship program and require HEAB, in any printed material or other information disseminated or otherwise distributed by the Board, to refer to the program as the "Governor Thompson scholarship program" and to refer to the students who receive the award as "Governor Thompson scholars."
2. Maintain current law.

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