



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #531

### Wisconsin Higher Education Grant and Tuition Grant Programs (HEAB)

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#### CURRENT LAW

The Wisconsin higher education grant (WHEG) program provides need-based grants to resident undergraduates enrolled at UW campuses, Wisconsin Technical College System (WTCS) institutions and tribal colleges. Students enrolled at least half-time are eligible for grants ranging from \$250 to \$1,800 per year for no more than 10 consecutive semesters. Funding for WHEG awards is provided in three separate appropriations within HEAB, one each for UW students, WTCS students and tribal college students. A provision in the 1999-01 budget created a new appropriation for WHEG awards to students attending tribal colleges in Wisconsin. These grants, which are funded with revenues from tribal gaming compacts, replaced grants that had been awarded to tribal college students under the tuition grant program.

The tuition grant (TG) program provides need-based grants to resident undergraduates who attend private, nonprofit postsecondary institutions in Wisconsin. Students enrolled at least half-time are eligible for grants ranging from \$250 to \$2,300 per year for no more than 10 semesters. The award amounts are determined using a statutory formula that relies in part on the amount by which the student's tuition exceeds UW-Madison tuition.

#### GOVERNOR

Maintain funding for the WHEG program for UW and WTCS students and the TG program during 2001-03 at the 2000-01 base funding level. The WHEG program for UW students base funding would remain at \$18,900,300 GPR annually, and for WTCS students funding would remain at \$13,201,900 GPR annually. The TG program funding would remain at \$21,038,600 GPR during each year of the 2001-03 biennium.

## DISCUSSION POINTS

1. HEAB currently administers nine, need-based financial aid programs totaling \$58,461,500 GPR. The WHEG and TG programs are the largest of these, accounting for approximately 90.9% of the total amount appropriated in 2000-01. In 1999-00, 9,306 students, or approximately 23% of all undergraduates attending Wisconsin private colleges, received TG awards. WHEG awards were provided to 16,669 UW students (15% of resident undergraduates), 15,173 WTCS students (19% of resident undergraduates enrolled at least half-time) and 299 tribal college students (37.5% of resident undergraduates enrolled at least half-time). The average grant amount was \$1,871 for private college students, \$1,011 for UW students and \$748 for WTCS students.

2. For each program, a different formula is used to distribute the available funds to students. Annually, by April 10, the UW Board of Regents, the WTCS Board, the Wisconsin Association of Independent Colleges and Universities and the two tribal colleges located in the state are each required to submit a proposed formula for the distribution of WHEG and TG grants to students attending their respective institutions for the following academic year. The number of students who will receive awards and the average amount of each award are determined by modifying the various formula factors. HEAB may approve or modify the recommended formulas. At its February 16, 2001, meeting, HEAB approved the formulas for distribution of the 2001-02 grants as recommended by the three sectors and the tribal colleges. Currently, WHEG grants are limited by statute to a minimum of \$250 and a maximum of \$1,800 per academic year, and TG program awards are limited to a minimum of \$250 and a maximum of \$2,300 per year.

3. Attempts are often made to link changes in funding for WHEG and TG programs to changes in tuition. The tuition policy of the Board of Regents asserts that GPR financial aid “should increase at a rate no less than that of tuition while staying commensurate with the increased student budget needs of students attending the UW System.” The WTCS Board has not adopted such a policy.

4. The WTCS Board recently approved tuition increases for 2001-02 of 4.8% for students enrolled in postsecondary/vocational adult programs and 4.1% for students enrolled in college parallel programs. Tuition at private colleges in Wisconsin will increase by an average of 5.4% in 2001-02. 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. While actual UW tuition for 2001-02 will not be approved by the Regents until July 13, UW System staff and the Board of Regents have stated that they do not anticipate double-digit increases in regular tuition. Over the past ten years, UW resident undergraduate tuition has increased an average of approximately 5.5% per year.

5. Increasing WHEG and TG funding by the same percentage as the estimated increase in tuition will not necessarily guarantee that the tuition increase for an individual student will be offset by the financial aid increase. The change in the amount of award due to an increase in program funding depends on a number of factors including the number of eligible students and

adjustments made by HEAB to the formula factors. For example, additional funding provided for a program can be used to increase the number of students receiving awards rather than the average award amount. Further, costs other than tuition, such as room and board, books, transportation and miscellaneous expenses can account for over two-thirds of the cost of attending a UW campus or technical college. At private colleges, however, tuition can equal 75% or more of a student's total educational costs. For resident undergraduate students enrolled at least half-time in degree or certificate programs who filed for financial aid in 1999-00, WHEG and TG grants covered an average of approximately 4% of total costs for UW students, 4.7% for WTCS students and 5.2% for private college students.

6. Despite anticipated increases in tuition, the bill does not increase funding for the WHEG UW and WTCS programs or the TG program. According to staff from the Department of Administration, funding was maintained at 2000-01 levels due primarily to budget constraints. As passed by the Legislature, the 1999-01 budget included increases that corresponded with expected tuition increases over the biennium; however, in past biennia, the increases provided to the WHEG and TG programs have not been tied to tuition increases. 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, non-elected boards that govern these institutions (the UW, WTCS and private colleges) make the tuition decisions. Linking these state GPR appropriations to the change in tuition would effectively cede control over these GPR expenditures to the collective decisions of non-elected boards.

7. WHEG funding under 1999 Act 9 was increased for technical college students by 6% annually, while actual tuition at WTCS increased between 3.9% and 6.5% in 1999-00 and between 3.8% and 5.7% in 2000-01. WHEG funding for UW students increased by 9.6% in 1999-00 and 0% in 2000-01, while tuition for resident undergraduates at UW increased 6.9% to 9.6% in 1999-00 and 0% in 2000-01. Funding for the TG program was increased by 7% annually, while average tuition at private colleges increased 5.3% in 1999-00 and 5.8% in 2000-01.

8. In 1999-00, total state-funded financial aid accounted for 12.1% of all need-based financial aid received by Wisconsin undergraduates, while the federal government provided 74.3% of the funds and institutions provided another 11.3%. Consequently, changes in federal funding and formulas have a much greater impact on the financial aid received by a student than changes in state funding.

9. The Bush administration has proposed increasing the budget for Pell grants, the main form of federal aid to college students, by \$1 billion, to \$9.8 billion for federal fiscal year 2001-02, which covers October 1, 2001 through September 30, 2002. Under the proposal, the maximum Pell Grant would be \$3,850, up \$100 from the current year. Since Congress has not yet acted on the administration's proposals, actual changes to federal financial aid programs are not known. Under the previous federal budget bill, the Pell Grant program experienced a 14.6% increase in funding along with a maximum award increase of \$450, and the Supplemental Education Opportunity Grant (SEOG), Federal Work Study (FWS) and Leveraging Education Assistance Partnerships (LEAP) all experienced an increase ranging from 8.2% to 37.5% in FY 01. Under the Bush administration proposal, funding for other student assistance would remain unchanged.

**ALTERNATIVES**

**A. WHEG Program for UW Students**

1. Approve the Governor’s recommendation to maintain current law.
2. Provide the following amounts to increase funding for the WHEG program for UW students by the indicated percentages:

	Annual Increase	GPR Funding Change to Bill		
		2001-02	2002-03	Total
a.	1%	\$189,000	\$379,900	\$568,900
b.	2	378,000	763,600	1,141,600
c.	3	567,000	1,151,000	1,718,000
d.	4	756,000	1,542,300	2,298,300
e.	5	945,000	1,937,300	2,882,300
f.	6	1,134,000	2,336,100	3,470,100
g.	7	1,323,000	2,738,600	4,061,600

**B. WHEG Program for WTCS Students**

1. Approve the Governor’s recommendation to maintain current law.
2. Provide the following amounts to increase funding for the WHEG program for WTCS students by the indicated percentages:

	Annual Increase	GPR Funding Change to Bill		
		2001-02	2002-03	Total
a.	1%	\$132,000	\$265,300	\$397,300
b.	2	264,000	533,300	797,300
c.	3	396,100	804,000	1,200,100
d.	4	528,100	1,077,300	1,605,400
e.	5	660,100	1,353,200	2,013,300
f.	6	792,100	1,631,700	2,423,800
g.	7	924,100	1,912,900	2,837,000

**C. TG Program**

1. Approve the Governor's recommendation to maintain current law.
2. Provide the following amounts to increase funding for the TG program for private college students by the indicated percentages:

	Annual Increase	GPR Funding Change to Bill		
		<u>2001-02</u>	<u>2002-03</u>	<u>Total</u>
a.	1%	\$210,400	\$422,900	\$633,300
b.	2	420,800	850,000	1,270,800
c.	3	631,200	1,281,300	1,912,500
d.	4	841,500	1,716,700	2,558,200
e.	5	1,051,900	2,156,400	3,208,300
f.	6	1,262,300	2,600,400	3,862,700
g.	7	1,472,700	3,048,500	4,521,200

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