



## Legislative Fiscal Bureau

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April 29, 2009

Joint Committee on Finance

Paper #465

### **UW System Auxiliary Enterprises Transfer Requirement and Funding for WHEG and TG Programs (HEAB and UW System)**

[LFB 2009-11 Budget Summary: Pages 398 and 399, #4, 5, 6, & 7; Page 658, #15]

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#### **CURRENT LAW**

The Wisconsin higher education grant (WHEG) program provides need-based grants to resident undergraduates enrolled in UW System institutions, Wisconsin Technical College System (WTCS) institutions, and tribal colleges. Students enrolled at least half-time are eligible for grants ranging from \$250 to \$3,000 per year for a maximum of 10 consecutive semesters. Funding for WHEG awards is provided in three separate appropriations within the Higher Educational Aids Board (HEAB): a GPR appropriation for UW students; a GPR appropriation for WTCS students; and a PR appropriation for tribal college students. Under current law, the WHEG-UW appropriation is a sum sufficient appropriation that is linked to the average increase in resident undergraduate tuition in the UW System. Both WHEG-TCS and WHEG-tribal colleges are sum certain appropriations.

The tuition grant (TG) program provides need-based grants to resident undergraduates enrolled at least half-time in private, nonprofit post-secondary institutions in the state. Students are eligible for grants of \$250 or more for a maximum of 10 consecutive semesters. The minimum grant is set by statute; the maximum is determined by HEAB. In 2008-09, the maximum TG award amount is \$2,900.

#### **GOVERNOR**

Reduce GPR funding for the Wisconsin higher education grant program for UW students by \$16,975,800 in 2009-10 and increase GPR funding for WHEG-UW by \$16,489,700 in 2010-11. Provide \$25,000,000 PR in 2009-10 funded with moneys drawn from the UW System's auxiliary enterprises appropriation in a new annual appropriation to supplement grants provided

by the WHEG-UW program. Repeal the new PR appropriation and related language and delete the transfer requirement under the UW System's auxiliary enterprises appropriation and the reference to multiple WHEG-UW appropriations on July 1, 2010. Total funding for the WHEG-UW program would increase from \$55,000,000 in 2008-09 to \$63,024,200 in 2009-10 (14.6%) and \$71,489,700 in 2010-11 (13.4%).

Provide \$175,500 GPR in 2009-10 and \$533,500 GPR in 2010-11 to increase funding for WHEG-TCS by 1% in 2009-10 and 2% in 2010-11. Total funding would increase from \$17,548,000 in 2008-09 to \$17,723,500 in 2009-10 and \$18,081,500 in 2010-11.

Provide \$260,800 GPR in 2009-10 and \$792,800 GPR in 2010-11 to increase funding for the TG program by 1% in 2009-10 and 2% in 2010-11. Total funding would increase from \$26,077,500 in 2008-09 to \$26,338,300 in 2009-10 and \$26,870,300 in 2010-11.

Provide \$4,300 PR in 2009-10 and \$13,000 PR in 2010-11 to increase funding for the WHEG program for tribal college students by 1% in 2009-10 and 2% in 2010-11. Total program funding would increase from \$424,000 PR in 2008-09 to \$428,300 PR in 2009-10 and \$437,000 PR in 2010-11. This PR funding is drawn from tribal gaming receipts and reduces the amount deposited in the general fund correspondingly.

**DISCUSSION POINTS**

1. The WHEG-UW, WHEG-TCS, and TG programs are the largest source of state-funded need-based grant aid for resident undergraduate students enrolled at UW System institutions, Wisconsin technical colleges, and private colleges and universities located in this state. In 2007-08, expenditures for these three programs accounted for 88.6% of all financial aid program spending under HEAB. Table 1 shows the amount appropriated, the number of grant recipients, and the average grant award for each of these programs in 2008-09.

**TABLE 1**

**Appropriations, Number of Recipients, and Average Awards for the WHEG-UW, WHEG-TCS, and TG Programs, 2008-09**

	<u>WHEG-UW</u>	<u>WHEG-TCS</u>	<u>TG</u>
Appropriation	\$55,000,000	\$17,548,000	\$26,077,500
Recipients	26,768	21,911	10,433
Average Award	\$2,033	\$800	\$2,388

2. Table 2 shows the amounts appropriated for the three WHEG programs and the TG program in each year from 1999-00 to 2008-09. As shown in the Table, funding for WHEG-UW has increased by 191% over that period of time. By comparison, funding for WHEG-TCS has increased by 41%, funding for WHEG-tribal colleges has increased by 6%, and funding for TG has

increased by 32.6%.

**TABLE 2**

**Appropriations for the WHEG and TG Programs, 1999-00 to 2008-09**

	<u>WHEG-UW</u>	<u>Percent Increase</u>	<u>WHEG-TCS</u>	<u>Percent Increase</u>	<u>WHEG-tribal</u>	<u>Percent Increase</u>	<u>TG</u>	<u>Percent Increase</u>
1999-00	\$18,900,300		\$12,454,600		\$400,000		\$19,662,200	
2000-01	18,900,300	0.0%	13,201,900	6.0%	400,000	0.0%	21,038,600	7.0%
2001-02	19,750,800	4.5	13,361,000	1.2	400,000	0.0	21,564,600	2.5
2002-03	21,839,600	10.6	14,874,000	11.3	404,000	1.0	22,103,700	2.5
2003-04	27,199,600	24.5	14,874,000	0.0	404,000	0.0	22,103,700	0.0
2004-05	34,959,600	28.5	14,874,000	0.0	404,000	0.0	22,103,700	0.0
2005-06	45,057,200	28.9	15,766,400	6.0	404,000	0.0	23,429,900	6.0
2006-07	39,280,600	-12.8	16,712,400	6.0	404,000	0.0	24,835,700	6.0
2007-08	50,000,000	27.3	17,130,200	2.5	414,000	2.5	25,456,600	2.5
2008-09	55,000,000	10.0	17,548,000	2.4	424,000	2.4	26,077,500	2.4
Total Increase		191.0%		40.9%		6.0%		32.6%

3. Most need-based financial aid is awarded based on the student's expected family contribution (EFC), which is a measure of the student and his or her family's ability to pay for his or her education. The student's EFC is calculated by the federal government using information provided by the student on his or her free application for federal student aid (FAFSA). Table 3 shows the number of students who applied for financial aid in 2007-08 and the percentage of those students who had EFCs of \$0, more than \$0 but less than \$4,000, and \$4,000 or more by institutional sector. Students who have EFCs of \$0 are not expected to contribute to the cost of their education.

**TABLE 3**

**Applicants for Financial Aid by Expected Family Contribution, 2007-08**

	<u>Number of Applicants</u>	<u>\$0</u>	<u>Less Than \$4,000</u>	<u>\$4,000 or Above</u>
UW students	84,978	14.1%	21.7%	64.2%
WTCS students	55,918	36.3	26.4	37.3
Private college students	26,352	15.9	20.8	63.3
Tribal college students	1,099	61.3	23.3	15.4

4. State-funded programs represent one source of need-based financial aid for qualifying students; students may also be eligible for federal, institutional, and other aid. Table 4 shows the amount of need-based aid received by UW, WTCS, private colleges, and tribal colleges students from state, federal, institutional, and other sources in 2007-08. As shown in Table 4, the

federal government is the largest source of need-based financial aid for resident undergraduates. In 2007-08, 75% of all need-based financial aid came from federal sources.

**TABLE 4**

**Need-Based Financial Aid by Source, 2007-08**

	<u>UW Students</u>	<u>WTCS Students</u>	<u>Private Colleges Students</u>	<u>Tribal Colleges Students</u>	<u>Total</u>
State	\$61,365,923	\$19,066,676	\$26,720,640	\$909,798	\$108,063,037
Federal	300,137,528	142,991,535	111,664,146	3,413,949	558,207,158
Institutional	4,962,077	5,450	68,394,499	0	73,362,026
Other	<u>0</u>	<u>1,364,658</u>	<u>4,696,275</u>	<u>351,386</u>	<u>6,412,319</u>
Total	\$366,465,528	\$163,428,319	\$211,475,560	\$4,675,133	\$746,044,540

5. The WHEG and TG programs provide students with grants that do not need to be repaid. By comparison, 64% of all federal need-based aid provided to resident undergraduates in 2007-08 came in the form of repayable loans. When only grant aid is considered, the portion of need-based aid provided by the federal government falls to 50%. By comparison, 29% of need-based grant aid to resident undergraduate students is state-funded.

6. The Pell grant program is the largest source of federal need-based grant aid. In 2007-08, 63,061 resident UW, technical college, private college, and tribal college students received Pell grants totaling \$155.5 million. This exceeded the amount of aid provided under the three WHEG programs and the TG program. By comparison, those programs provided need-based grants totaling \$92.1 million to 60,534 resident students.

7. Under the federal American Recovery and Reinvestment Act (ARRA), the maximum Pell grant award will increase by \$619 to \$5,350 in 2009-10 and by \$200 to \$5,550 in 2010-11. The Pell grant award schedule for 2009-10 indicates that most grant recipients will receive the full amount of this increase. In addition, eligibility for the Pell grant program will expand to include students with higher EFCs, or higher ability to pay for their education. As a result of this change in eligibility, all students who are eligible for WHEG-UW in 2009-10 should also be eligible for Pell awards. This change would also increase the number of technical, private, and tribal college students that are eligible for Pell grants.

**WHEG-UW**

8. AB 75 would provide additional financial aid funding under HEAB and the UW System designed to hold students whose family income is less than \$60,000 harmless from potential tuition increases. Under HEAB, the Governor's budget increases total funding for WHEG-UW by \$8,024,200 in 2009-10 and \$16,489,700 in 2010-11, increases of 14.6% and 13.4% respectively. These increases are intended to increase the amount of WHEG-UW grants to offset increases in

tuition for all WHEG-UW recipients.

9. The proposed increase in funding for WHEG-UW would have the effect of increasing the value of the award with respect to tuition. In 1999-00, the average WHEG-UW award paid for 36% of average resident undergraduate tuition in the UW System. In 2008-09, the average WHEG-UW award also pays for 36% of average resident undergraduate tuition. If tuition increases by 5.5% in each year of the biennium and the average WHEG-UW award increases by the same dollar amount, the average WHEG-UW award would be equal to 39.5% of average tuition in 2009-10 and 42.6% in 2010-11.

10. By statute, increases in funding for the WHEG-UW program are linked to the average increase in resident undergraduate tuition at UW System institutions, although the link has been suspended each biennium and higher funding levels have been provided. The Governor's budget recommendations would again suspend this link during the 2009-11 biennium to provide larger increases in funding for WHEG-UW. If WHEG-UW was funded under this sum sufficient link, the appropriation would be reduced by \$4,999,200 in 2009-10 and \$10,273,300 in 2010-11 from AB 75. Total funding for WHEG-UW would increase from \$55,000,000 in 2008-09 to \$58,025,000 in 2009-10 and to \$61,216,400 in 2010-11. These increases are based on estimated average tuition increases of 5.5% in each year of the biennium.

11. Under ARRA, Pell grant awards to UW students will increase substantially in 2009-10 and 2010-11. These increases, which will total \$819 for most WHEG-UW eligible students, would more than offset UW System tuition increases over the biennium, estimated at \$310 in 2009-10 and \$327 in 2010-11. While increases in the Pell grant program will only reduce student financial need, not eliminate it, given the current fiscal climate, increases in federal financial aid might justify an increase in funding for WHEG-UW that is less than has been proposed by the Governor under AB 75. If the amount of funding provided for WHEG-UW under AB 75 were reduced, the Committee could reduce the amount of the transfer required from the UW System's appropriation for auxiliary enterprises, increase financial aid for non-UW students, restore some portion of the UW System's base budget reduction, or increase the balance in the general fund.

## **WHEG-TCS**

12. Over the past 10 years, the relative value of WHEG-TCS awards has decreased as increases in the number of recipients and tuition rates have exceeded increases in funding for WHEG-TCS. From 1999-00 to 2008-09, funding for the WHEG-TCS program has increased by 41% while technical college tuition has increased by 62% or 64% depending on the program.

13. In 1999-00, the average WHEG-TCS award paid for 42% of full-time tuition for students enrolled in technical diploma programs and 31% of full-time tuition for students enrolled in collegiate transfer programs. By 2008-09, the value of WHEG-TCS awards had declined in relation to technical college tuition such that the average WHEG-TCS award paid for 27% of full-time tuition for students enrolled in technical diploma programs and 20% of full-time tuition for students enrolled in collegiate transfer programs. Given that the increases in WHEG-TCS funding provided in the Governor's budget (1% in 2009-10 and 2% in 2010-11) are less than the tuition increase

approved by the WTCS Board for 2009-10 (3.5%), it is anticipated that the value of the average WHEG-TCS award will continue to decline relative to tuition during the 2009-11 biennium if the funding provided in the Governor's budget is approved.

14. Technical college students have, on average, a lower ability to contribute to the cost of their education than UW and private colleges students. As shown in Table 3, 36.3% of technical college students who applied for financial aid had EFCs of \$0, meaning that they and their families were not expected to contribute to the cost of their education, compared to 14.1% for UW students and 15.9% for private college students.

15. A student's financial need is determined by subtracting his or her EFC from the total cost of attending the institution in which he or she is enrolled. Unmet need is defined as need less the amount of need-based aid provided. While the total cost of attending a technical college is less than the cost of attending a UW System institution, technical college students have greater unmet need than UW students. In 2007-08, the average unmet need of a technical college student who received financial aid was \$4,485 compared to \$3,716 for a UW student. One factor contributing to this difference in unmet need is the relatively low amount of need-based financial aid received by technical college students. In 2007-08, technical college students received an average of \$4,313 in need-based aid while UW students received \$6,576.

16. The WHEG-TCS program is funded through a sum certain appropriation. The WHEG-UW program is funded through a sum sufficient appropriation with increases in program funding linked to the average increase in resident undergraduate tuition at the UW System. (However, funding under the WHEG-UW program has never been determined using this linkage.) In March, 2009, the WTCS Board approved tuition increases of 3.5% in 2009-10 academic year. If the Committee were to base increases in funding for the WHEG-TCS program on increases in technical college tuition, funding for the WHEG-TCS program would increase by \$438,700 in 2009-10 and \$716,400 as changes to AB 75, or 3.5% annually. Provided that the number of grant recipients remains the same, this level of funding should result in an increase in the average WHEG-TCS award of 3.5%.

17. Technical college enrollments typically increase during periods of high unemployment. Systemwide enrollments increased by 1.9% from 2006-07 to 2007-08 and have increased by 3.3% from 2007-08 through February, 2009. While systemwide increases in enrollment have been modest, certain technical colleges have experienced far larger increases in enrollment. For example, enrollment at Blackhawk Technical College, located in Janesville, has increased by 20% and enrollment at Mid-State Technical College, which has campuses in Stevens Point, Wisconsin Rapids, Marshfield, and Adams, has increased by 13%.

18. These increases in enrollment have resulted in a significant increase in the number technical college students who have applied for financial aid. As of February, 2009, 66,230 technical college students had applied for WHEG grants compared to 58,769 at the same time in 2008, a 12.7% increase. By comparison, applications for WHEG-UW awards have increased by 3.3% over the same time period.

19. HEAB administers the WHEG and TG programs on a first-come-first-served basis. This means that awards are made to students who are eligible under the award formula until program funding is fully committed. Eligible students who submit applications after program funding has been fully committed are placed on the program waiting list. Funding for the WHEG-TCS program for the 2008-09 academic year was fully committed as of August, 2008. As of March, 2009, there were 6,422 eligible students on the waiting list for that program compared to 2,653 in 2007-08. By comparison, there were 970 students on the WHEG-UW waiting list in March, 2009. Factors that may have contributed to the increase in the number of students on the waiting list for WHEG-TCS awards include increases in technical college enrollment, decreases in students' ability to pay for their education, increases in program funding during the 2007-09 biennium that were less than increases in student need, and changes in the program award formula.

20. To provide additional financial aid to technical college students who may be affected by the economic downturn, the Committee could provide increases in funding for the WHEG-TCS program that would be sufficient to offset increases in tuition for all eligible students. This method of funding would be consistent with the funding proposed by the Governor for the WHEG-UW program. Under this alternative, funding for WHEG-TCS would increase by \$2,828,700 in 2009-10 and by \$5,580,800 in 2010-11 from AB 75. Total program funding would increase from \$17,548,000 in 2008-09 to \$20,552,200 in 2009-10 and \$23,662,300 in 2010-11, which would represent increases of 17.2% in 2009-10 and 15.1% in 2010-11.

21. The federal Pell grant program is the largest source of need-based grant aid for technical college students. In 2007-08, technical college students received Pell grants totaling \$59.6 million compared to \$16.9 million in WHEG-TCS awards. Under ARRA, Pell grant awards to technical college students will increase substantially in 2009-10. Pell grants to technical college students enrolled full-time will increase by \$619, by \$464 for students enrolled three-quarters time, and by \$309 for students enrolled half-time. These large increases in federal need-based grant aid will reduce, but not eliminate, the unmet need of technical college students. These increases in federal need-based grant aid may justify smaller increases in state-funded grant aid for technical college students.

### **Tuition Grant Program for Private Colleges**

22. Private college students are similar to UW students in terms of their ability to pay for their education. As shown in Table 3, 15.9% of private college students who applied for financial aid had EFCs of \$0, meaning that they and their families were not expected to contribute to the cost of their education, compared to 14.1% for UW students.

23. The Committee could provide increases in funding for the TG program based on increases in tuition as is required under current law for the WHEG-UW program. According to the Wisconsin Association of Independent Colleges and Universities (WAICU), tuition at its 20 member institutions increased by an average of 5.23% in 2008-09. However, tuition rates at the private colleges are set independently without state oversight. If the Committee were to base increases in funding for the TG program on increases in tuition, these increases could be linked to increases in UW System tuition. UW System tuition rates are set by the Board of Regents which is

comprised of state officials and gubernatorial appointees. If the Committee were to provide percent increases in funding for the TG program equal to estimated percent increases in UW System tuition, funding for the TG program would increase by \$1,173,500 in 2009-10 and \$2,154,600 in 2010-11 from AB 75. Program funding would increase by 5.5% in each year to \$27,511,800 in 2009-10 and \$29,024,900 in 2010-11.

24. Students enrolled at private, nonprofit colleges and universities have access to a greater amount of institutionally and privately funded financial aid than do UW, technical college, and tribal college students. In 2007-08, these students received \$68.4 million in need-based institutional aid (including \$66.8 million in grants), \$4.1 million in private aid, and \$0.6 million in other assistance. By comparison, UW students received \$5.0 million in need-based institutional aid in 2007-08. In addition, students enrolled at private, nonprofit colleges and universities are the recipients of large amounts of non-need-based, or merit, aid. In 2007-08, these students received \$61.5 million in merit-based institutional aid, including \$58.9 million in grants, and \$5.7 million in other merit aid. By contrast, UW students received \$12.5 million in merit-based institutional aid and \$6.0 million in other merit-based aid. In total, private college students received \$199.2 million in aid from these sources while UW students received \$23.5 million. It could be argued that because private college students have access to greater amounts of institutional aid than UW, technical college, and tribal college students, smaller increases in funding for the TG program could be provided.

25. Many private college students who are eligible for TG awards will also benefit from the increase in Pell grants provided under the federal ARRA. However, whereas the Pell grant program provides more aid to UW and technical college students than is provided by the respective WHEG programs, private college students receive more funding from the TG program than from the Pell grant program. This is because some students who receive grants under the TG program may not be eligible for grants under the Pell grant program due to their relatively high EFCs. It could be argued that because private college students who receive TG awards have a higher ability to pay on average than UW and technical college students, smaller increases in financial aid for private college students could be provided.

### **Funding for WHEG-Tribal Colleges**

26. The WHEG-tribal colleges program was created under 1999 Act 9 and was originally appropriated at \$400,000 PR annually. The program is funded by tribal gaming revenues. Currently, there are two tribally-controlled colleges in the state: College of the Menominee Nation, located in Keshena and Green Bay, and Lac Courte Oreilles Ojibwa Community College, located in Hayward. Both institutions grant associate degrees. In 2007-08, 291 tribal college students received WHEG-tribal grants awards averaging \$1,404.

27. The Committee could provide increases in funding for the WHEG-tribal colleges program based on increases in tuition as is required under current law for the WHEG-UW program. According to HEAB, tuition at Lac Courte Oreilles Ojibwa Community College will increase from \$3,360 in 2008-09 to \$3,600 in 2010-11, an increase of 7.1%. Tuition at the College of the Menominee Nation is expected to increase from \$4,800 in 2008-09 to \$5,520 in 2009-10, an



increase of 15%. However, tuition rates at the tribal colleges are set independently without state oversight. If the Committee were to base increases in funding for the WHEG-tribal colleges program on increases in tuition, these increases might be linked to increases in UW System tuition. UW System tuition rates are set by the Board of Regents which is comprised of state officials and gubernatorial appointees. If the Committee were to provide percent increases in funding for the WHEG-tribal colleges program equal to estimated percent increases in UW System tuition, funding for the WHEG-tribal colleges program would increase by \$19,000 in 2009-10 and \$34,900 in 2010-11 from AB 75. Program funding would increase by 5.5% in each year to \$447,300 in 2009-10 and \$471,900 in 2010-11. Additional PR funding would result in a corresponding reduction in tribal gaming revenues deposited in the general fund.

28. Similar to UW and technical college students, tribal college students also receive substantial aid under the federal Pell grant program. In 2007-08, tribal college students received \$1.9 million in Pell grants compared to \$0.4 million in grants through the WHEG-tribal colleges program. In addition, many students enrolled in the tribal colleges also have access to financial aid programs for Native American students. In 2007-08, tribal college students received \$1.4 million in grant aid from the federal Bureau of Indian Affairs and an additional \$0.3 million under the state-funded Indian student assistance grants program. The increases in the Pell grant program and the availability of financial aid from other state and federal sources may justify smaller increases in the WHEG-tribal colleges appropriation.

### **Auxiliary Enterprises Transfer**

29. As part of its operations, each UW System campus administers auxiliary enterprises, which are non-instructional facilities that provide services to students, the campus, and the community. The distinguishing characteristic of most auxiliary enterprises is that they are managed essentially as self-supporting activities, although sometimes a portion of student fees or other support is allocated to assist these activities. Auxiliary activities, including residence halls, dining halls, parking, and bookstores, are self-supporting through user fees, merchandise sales, and interest earnings. Other non-instructional activities, such as student government, transportation, unions, and intramural athletics, are funded, at least in part, through a segregated fee assessed to all students. In 2008-09, revenues from auxiliary enterprises are budgeted at \$638.9 million. This amount includes \$142.8 million in student segregated fees and \$199.0 million in room and board fees.

30. Each UW System institution maintains some level of reserves related to its auxiliary enterprises operations. These reserves can be used to fund operations when revenues are insufficient to fully fund operating costs and to pay for recurring maintenance projects. In addition, reserves may be accumulated to fund a portion of the cost of future capital projects such as the construction of a new residence hall, dining facility, sports arena, or student union.

31. At the close of the 2008 fiscal year, the UW System auxiliary reserve balance was \$151.9 million, excluding certain encumbrances and advanced deposits. The reserve balance is not a single pot of money but rather the total of the balances held by each auxiliary enterprise at each UW System institution. Included in this total are reserves related to housing, food service, student union, intramural athletics, parking, bookstore, textbook rental, printing, study abroad programs,

and other auxiliary enterprises. This reserve balance was equal to 25.9% of budgeted auxiliary enterprises revenues and 24.8% of budgeted auxiliary enterprises expenditures in 2007-08. When student segregated fees are excluded, reserves were 20.4% of budgeted revenues in 2007-08.

32. The UW System requires that campuses manage their auxiliary reserve balances and requires that auxiliary operations justify their reserves based on specific needs documented in a multi-year plan. Unexpected increases in these reserves must either be used to offset rate increases or transferred to other needs in accordance with existing Board of Regents' policy. UW System policy has established a variety of reserve funding requirements to ensure that sufficient funds are available to fund current operations, guarantee debt service obligations, and provide for capital replacement and expansion.

33. Statutes limit the accumulation of auxiliary enterprises reserves generated from student fees at any institution to 15% of total revenues at that institution in the previous year unless otherwise approved by the Department of Administration and the Joint Committee on Finance (JFC). In 2007-08, the UW System requested and DOA and JFC approved student fee funded auxiliary reserves in excess of 15% of the prior year's revenue for seven campuses and the UW Colleges.

34. The Governor's budget requires the UW System to transfer \$25 million from its auxiliary enterprises appropriation in 2009-10. According the UW System and executive budget staff, the UW System would fund the required transfer by drawing down its auxiliary reserves. The proposed transfer is equal to 16.5% of the 2007-08 auxiliary enterprises reserves balance.

35. The Governor's budget does not specify how the transfer requirement should be distributed to the various UW System institutions; however, the UW System has indicated that the transfer requirement would be distributed based on each institution's auxiliary reserve balance less those reserves generated by student segregated fees. When reserves generated by student segregated fees are excluded, the transfer requirement is equal to 25.6% of the reserve balance.

36. Under 2003 Act 33, the UW System was required to transfer a total of \$26,565,100 from its auxiliary enterprises appropriation during the 2003-05 biennium to support increases in funding for the WHEG-UW, Lawton minority undergraduate grant, and advanced opportunity financial aid programs. The Legislature specified that the Board of Regents could not use any reserves generated by student segregated fees to fulfill this transfer requirement. As a result of the 2003-05 required transfer, campuses delayed planned expenditures, such as the replacement of old and outdated equipment, renovations, and repairs, and increased the use of bonding to fund projects thereby increasing total cost.

37. At the close of the 2002-03 fiscal year, prior to the required transfer in 2003-05, the auxiliary reserve balance less any reserves generated by student segregated fees was \$126.2 million. At the close of the 2007-08 fiscal year, that balance was \$95.9 million. UW System staff have indicated that the difference between the 2002-03 and 2007-08 ending balances reflect a change in the way UW institutions manage their reserve balances and is not a lasting effect of the 2003-05 transfer.

38. To minimize the impact of the proposed auxiliary enterprises transfer, the Committee could reduce the amount of the transfer. This could be accomplished by providing smaller increases in funding for the WHEG-UW program. If funding for WHEG-UW would be increased by 5.5% in each year of the biennium, financial aid increases under WHEG-UW would be approximately \$15.3 million less than under AB 75. If the amount of the auxiliary enterprises would be reduced correspondingly, then it could be reduced to \$9.7 million from the \$25.0 million proposed in the bill.

## ALTERNATIVES

### A. WHEG-UW

1. Approve the Governor's recommendation, as modified to suspend the sum sufficient link between funding for WHEG-UW and the average increase in UW System resident undergraduate tuition during the 2009-11 biennium.

2. Modify the Governor's recommendation by reducing funding by \$4,999,200 in 2009-10 and by \$10,273,300 in 2010-11. This would provide annual 5.5% increases in funding, consistent with the current law sum sufficient link to increases in tuition.

ALT A2	Change to Bill Funding
GPR	- \$15,272,500

3. Modify the Governor's recommendation by reducing funding by \$8,024,200 in 2009-10 and \$16,489,700 in 2010-11. Suspend the sum sufficient link for WHEG-UW. This would provide base level funding of \$55,000,000 for WHEG-UW in each year of the 2009-11 biennium.

ALT A3	Change to Bill Funding
GPR	- \$24,513,900

### B. WHEG-TCS

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendations by increasing funding for the WHEG-TCS program by \$2,828,700 in 2009-10 and by \$5,580,800 in 2010-11. These funding increases would be equal to the estimated amount required to offset tuition increases for all WHEG-TCS eligible students in each year of the biennium.

ALT B2	Change to Bill Funding
GPR	\$8,409,500

3. Modify the Governor's recommendations by increasing funding by \$438,700 in 2009-10 and \$716,400 in 2010-11, which would represent 3.5% annual increases.

<b>ALT B3</b>	<b>Change to Bill</b>	
	Funding	
GPR	\$1,155,100	

4. Delete provision.

<b>ALT B4</b>	<b>Change to Bill</b>	
	Funding	
GPR	- \$709,000	

**C. Tuition Grant**

1. Approve the Governor's recommendations.

2. Modify the Governor's recommendation to provide \$1,173,500 in 2009-10 and \$2,154,600 in 2010-11, which would represent 5.5% annual increases.

<b>ALT C2</b>	<b>Change to Bill</b>	
	Funding	
GPR	\$3,328,100	

3. Delete provision.

<b>ALT C3</b>	<b>Change to Bill</b>	
	Funding	
GPR	- \$1,053,600	

**D. WHEG-Tribal Colleges**

1. Approve the Governor's recommendations.

2. Modify the Governor's recommendation by providing \$19,000 PR in 2009-10 and \$34,900 PR in 2010-11, which would represent 5.5% annual increases. Reduce tribal gaming revenues to the general fund correspondingly.

	<b>Change to Bill</b>	
	Revenue	Funding
GPR	- \$53,900	
PR		\$53,900

3. Delete provision.

ALT D3	Change to Bill	
	Revenue	Funding
GPR	\$17,300	
PR		-\$17,300

**E. Auxiliary Reserves**

1. Approve the Governor's recommendations.

2. Reduce the amount of the transfer from auxiliary enterprises reserves by \$15,272,500 PR in 2009-10, which would be consistent with annual 5.5% increases in the WHEG-UW program. Increase GPR funding by \$10,273,300 in 2009-10 and reduce GPR funding by \$10,273,300 in 2010-11 to offset a portion of the PR reduction in 2009-10 and still provide uniform 5.5% annual increases in WHEG-UW funding.

ALT E2	Change to Bill	
	Funding	
PR	-\$15,272,500	

3. Delete the transfer by increasing funding for WHEG-UW by \$25,000,000 GPR and deleting \$25,000,000 PR in 2009-10. Delete the proposed PR appropriation and related provisions.

ALT E3	Change to Bill	
	Funding	
GPR	\$25,000,000	
PR	<u>- 25,000,000</u>	
Total	\$0	

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