



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #469

Financial Aid -- Linked Sum Sufficient Appropriations (HEAB)

CURRENT LAW

The Wisconsin higher education grant (WHEG) program provides need-based grants to resident undergraduate students enrolled at least half-time at UW System institutions, technical colleges, and tribal colleges located in the state. Funding for WHEG awards is provided in three separate appropriations under the Higher Educational Aids Board (HEAB): a GPR appropriation for UW students, a GPR appropriation for technical college students, and a PR appropriation for tribal college students. 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. The TG program is funded by a sum certain appropriation.

The Lawton minority undergraduate grant program (Lawton), which is funded through an appropriation under the UW System, provides need-based grants to Wisconsin resident minority undergraduates, excluding freshmen, who are enrolled at least half-time at a UW System institution. The minority undergraduate retention grant (MURG) program, which is funded through an appropriation under HEAB, provides need-based grants to resident minority undergraduates, excluding freshmen, who are enrolled at least half-time at a technical college, tribal college, or private, nonprofit, postsecondary institution in the state. The Lawton program is funded by a sum sufficient appropriation with increases linked to the average increase in resident undergraduate tuition in the UW System. The MURG appropriation is a sum certain appropriation.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The sum sufficient link between funding for the WHEG-UW and Lawton programs and increases in resident undergraduate tuition at UW System institutions was created under 2001 Act 109 and took effect beginning in the 2003-04 fiscal year. The table below shows the amounts appropriated for the WHEG-UW and Lawton programs from 2002-03, immediately prior to the change in the appropriation language, to 2008-09. As shown in Table 1, WHEG-UW funding has increased by 151.8% and Lawton program funding has increased by 100.5% since program funding was linked to increases in UW resident undergraduate tuition. By comparison, the average UW System tuition for resident undergraduates has increased by 72.6%.

TABLE 1

Funding for the WHEG-UW and Lawton Programs, 2002-03 to 2008-09

	<u>WHEG-UW</u>	<u>Percent Increase</u>	<u>Lawton</u>	<u>Percent Increase</u>	<u>Average Tuition Increase</u>
2002-03	\$21,839,600		\$3,080,800		
2003-04	27,199,600	24.5%	3,842,300	24.7%	17.8%
2004-05	34,959,600	28.5	4,922,900	28.1	15.2
2005-06	45,057,200	28.9	5,218,300	6.0	7.8
2006-07*	39,280,600	-12.8	5,531,400	6.0	5.9
2007-08	50,000,000	27.3	5,907,500	6.8	5.9
2008-09	55,000,000	10.0	6,175,800	4.5	5.3
Total Increase		151.8%		100.5%	72.6%

* A partial veto provided a greater amount of funding for WHEG-UW in 2005-06 than was provided in the bill as passed by the Legislature. A portion of this additional funding was carried forward into the 2006-07 such that actual program expenditures were \$40,992,516 in 2005-06 and \$43,315,582 in 2006-07.

2. Funding for the WHEG-TCS, WHEG-Tribal Colleges, and TG programs, which are funded through sum certain appropriations, has increased by a lower amount than funding for the WHEG-UW program. Table 2 shows the amounts appropriated for the WHEG-TCS, WHEG-Tribal Colleges, and TG programs from 2002-03 to 2008-09. As shown in Table 2, funding for the WHEG-TCS and TG programs has increased by 18% from 2002-03 to 2008-09. Funding for the WHEG-Tribal Colleges has increased by 5% over the same period of time.

TABLE 2

Funding for the WHEG and TG Programs, 2002-03 to 2008-09

	<u>WHEG-TCS</u>	<u>Percent Increase</u>	<u>WHEG-Tribal</u>	<u>Percent Increase</u>	<u>TG</u>	<u>Percent Increase</u>
2002-03	\$14,874,000		\$404,000		\$22,103,700	
2003-04	14,874,000	0.0%	404,000	0.0%	22,103,700	0.0%
2004-05	14,874,000	0.0	404,000	0.0	22,103,700	0.0
2005-06	15,766,400	6.0	404,000	0.0	23,429,900	6.0
2006-07	16,712,400	6.0	404,000	0.0	24,835,700	6.0
2007-08	17,130,200	2.5	414,000	2.5	25,456,600	2.5
2008-09	17,548,000	2.4	424,000	2.4	26,077,500	2.4
Total Increase		18.0%		5.0%		18.0%

3. Similarly, funding for the MURG program, which is similar to the Lawton program under the UW System, has increased by a lesser amount than funding for the Lawton program. The Lawton program is funded through a sum sufficient appropriation linked to increases in UW System tuition while the MURG program is funded through a sum certain appropriation. Table 3 shows the amounts appropriated for the MURG program from 2002-03 to 2008-09. As shown in Table 3, funding for the MURG program increased by 5% over that period of time.

TABLE 3

MURG Program Funding

	<u>Appropriation</u>	<u>Increase</u>
2002-03	\$756,900	
2003-04	756,900	0.0%
2004-05	756,900	0.0
2005-06	756,900	0.0
2006-07	756,900	0.0
2007-08	775,900	2.5
2008-09	794,900	2.4
Total Increase		5.0%

4. In general, increases in funding for the WHEG-TCS, WHEG-Tribal Colleges, TG, and MURG programs have not kept pace with tuition increases at the technical colleges, the tribal colleges, and the private colleges. For example, tuition for technical diploma courses offered by the technical colleges increased from \$2,010 in 2002-03 to \$2,912 in 2008-09, an increase of 44.9%. By comparison, funding for WHEG-TCS increased by 18% over the same period of time.

5. If the Committee wishes to more evenly allocate funding in future biennia, it could create similar sum sufficient links effective July 1, 2011, between funding for the WHEG-TCS, WHEG-Tribal Colleges, TG, and MURG programs (Alternative 1). Creating this type of link could result in larger increases in financial aid for resident undergraduate students enrolled in technical, tribal, and private colleges in future biennia. However, even if a sum sufficient link were created

for any or all of these appropriations, the Governor or future Legislatures could suspend that link to provide a different amount of funding than would be required under the statutory link. As an example, the statutory link between WHEG-UW and increases in average resident undergraduate tuition has been suspended in each biennium since it went into effect 2003-04 to allow higher increases in funding than were required under the law.

6. Tuition rates at the tribal and private colleges are set independently without direct state oversight. Because the state does not have a formal role in the establishment of tuition at these institutions, funding for financial aid programs that serve students enrolled in these institutions could be linked to tuition increases at the UW System. UW System tuition rates are set by the Board of Regents which is comprised of state officials and gubernatorial appointees. For simplicity, the Legislature could link funding for all of these programs to increases in the average rate of undergraduate resident tuition at UW System institutions, which is the current law adjustment factor for WHEG-UW. Alternatively, a sum sufficient link could be created between funding for the WHEG-TCS program and increases in technical college tuition which is set by the Wisconsin Technical College System (WTCS) Board. Like the UW Board of Regents, the WTCS Board is comprised of state officials and gubernatorial appointees (Alternative 2).

7. The MURG program provides grants to technical college and private college students. Program funding is split equally between these two sectors. If funding for the TG program is linked to the average tuition increase at UW System institutions and funding for the WHEG-TCS program is linked to technical college tuition increases, MURG program funding could be linked to the average of UW System and technical college tuition increases (Alternative 2).

8. The statutory link between WHEG-UW and increases in average resident undergraduate tuition has been suspended in each biennium to provide higher increases in funding than were required under law. These increases in WHEG-UW program funding reflect the policy decisions of the Governor and Legislature, rather than the type of appropriation the funding is provided in. As evidenced by past increases in funding, increasing the amount of need-based financial aid available to UW students has been a higher priority than increasing the amount of need-based aid for students attending other public and private colleges.

9. Members of the Legislature are elected officials whose role is to establish budget priorities for the state. If these financial aid programs would be funded through sum sufficient appropriations linked to increases in tuition, funding levels for student financial aid programs could depend on the decisions of appointees serving on the boards governing the UW System and WTCS, rather than the Legislature.

10. If the goal is to establish a comparable funding mechanism for each of these programs, an alternative to creating additional sum sufficient appropriations would be to eliminate the current sum sufficient appropriations for WHEG-UW and Lawton. Under this option, funding for WHEG-UW and Lawton would be provided in sum certain appropriations. The funding levels for all of these programs would be set by the Legislature as part of the budget process in the 2011-13 biennium, rather than using the sum sufficient appropriations linked to increases in tuition (Alternative 3).

ALTERNATIVES

1. Create sum sufficient appropriations for the WHEG-TCS, WHEG-Tribal Colleges, TG, and MURG programs and specify that funding beginning in 2011-12 would equal the prior year appropriation amount increased by the average percentage increase in UW System undergraduate resident tuition. This alternative would establish the same funding mechanism in 2011-12 and thereafter for these programs that currently applies to the WHEG-UW and Lawton programs.
2. Modify Alternative 1 to adjust the WHEG-TCS appropriation by the average percentage increase in Wisconsin technical college tuition and the MURG appropriation by the average of tuition increases at UW System and WTCS institutions.
3. Delete the current sum sufficient appropriations for the WHEG-UW and Lawton programs. Under this alternative, funding for these programs would be provided in annual, sum certain appropriations in future biennia.
4. Maintain current law.

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