



WISCONSIN LEGISLATIVE COUNCIL

REVIEW OF HIGHER EDUCATION FINANCIAL AID PROGRAMS

Room 411 South
State Capitol

August 17, 2010
10:00 a.m. – 5:00 p.m.

[The following is a summary of the August 17, 2010 meeting of the Special Committee on Review of Higher Education Financial Aid Programs. The file copy of this summary has appended to it a copy of each document prepared for or submitted to the committee during the meeting. A digital recording of the meeting is available on our Web site at <http://www.legis.state.wi.us/lc>.]

Call to Order and Roll Call

Chair Ballweg called the committee to order. The roll was called and it was determined that a quorum was present.

COMMITTEE MEMBERS PRESENT: Rep. Joan Ballweg, Chair; Sen. Fred A. Risser, Vice Chair; Rep. Thomas Lothian; and Public Members Sara Goldrick-Rab, Mary Jo Green, Jane Hojan-Clark, Louise Janke, Amy Kerwin, Rock Larson, Darcy Paulson, Michael Swain, Paul Watson, and Rolf Wegenke.

COUNCIL STAFF PRESENT: Dan Schmidt, Senior Analyst, and Scott Grosz and Anna Henning, Staff Attorneys.

APPEARANCES: Sen. Fred Risser, Co-Chair, Joint Legislative Council; Terry C. Anderson, Director, Legislative Council; Emily Pope, Legislative Fiscal Bureau; Dan Clancy and Morna Foy, Wisconsin Technical College System (WTCS); Noel Radomski, Wisconsin Center for the Advancement of Postsecondary Education; Connie Hutchison, Higher Educational Aids Board (HEAB); Sara Goldrick-Rab, Educational Policy Studies and Sociology, University of Wisconsin (UW)-Madison; Rolf Wegenke, Wisconsin Association of Independent Colleges and Universities (WAICU); Maria Flores, HEAB; Kevin Reilly and Kristofer Frederick, UW System Administration; and Shannon Loredo, Wisconsin Covenant.

Opening Remarks

Senator Fred A. Risser and Terry C. Anderson welcomed members of the Special Committee. Senator Risser explained how the committee was formed and the role of the committee. Mr. Anderson introduced the Legislative Council staff members assigned to work with the committee and explained general rules and guidelines for study committees, as well as the process for reimbursement of expenses for public members.

Introduction of Committee Members

Chair Ballweg welcomed the committee. She introduced herself and asked committee members to introduce themselves. She described the committee's goal and purpose and emphasized that the topic includes a focus on programs as well as funding. She also invited members to suggest additional topics and speakers for future meetings.

Presentations by Invited Speakers

Emily Pope, Legislative Fiscal Bureau

Ms. Pope provided an overview of student financial aid. She explained the application process and formulas for determining a student's financial need. She also discussed common sources of financial aid, including state and federal need-based and non-need merit-based aid programs, and institutional and private funds.

Mr. Larson asked why veterans' programs were not included in the presentation. Chair Ballweg explained that those benefits are outside of the committee's charge.

Chair Ballweg mentioned that she would like to see numbers for the Wisconsin-Minnesota reciprocity program. It was noted that a later presenter, Connie Hutchinson, would address that program.

Dan Clancy and Morna Foy, WTCS

Mr. Clancy described the impact of financial aid shortfalls on Wisconsin technical colleges. He stated that investments in technical college students produce immediate and demonstrable benefits for the state. He also described the unique characteristics of technical college students. For example, their average age is 35, and one-third of them have no expected family contribution. He stated that in 2010, Wisconsin technical college students' average unmet financial aid need was approximately \$5,000.

Ms. Foy testified that there has been a sharp increase in the number of financial aid applications submitted to Wisconsin technical colleges, particularly during the past two years. She explained that the increase may be attributed to both record enrollment and increased financial need. She said that the primary state aid programs benefitting technical college students are the Wisconsin Higher Education Grant, the Talent Incentive Program Grant, and the Minority Undergraduate Retention Grant. She stated that this year, the technical colleges exhausted their Wisconsin Higher Education Grant appropriation in May. Finally, she discussed Wisconsin technical college students' increasing loan burden, and potential problems associated with that increased burden.

Next, Mr. Clancy presented WTCS's 2011-13 budget request of \$23 million. He mentioned that WTCS is also requesting a statutory change that would mirror a Wisconsin Higher Education Grant provision applicable in the UW System.

In response to a question from Chair Ballweg, Mr. Clancy explained that because the return on investment is high, some debt makes sense, but it is important for students to find the right balance regarding debt, and to avoid problematic loans.

Ms. Hojan-Clark asked how the amount of a Wisconsin Higher Education Grant is determined. Ms. Foy explained that an attempt is made to balance the number of awards and the degree to which they provide meaningful assistance to students. She stated that WTCS has never reached the statutory maximum allowed for the grants, currently set at \$2,500.

Ms. Goldrick-Rab asked whether the percentage of technical college students filing the Free Application for Federal Student Aid (FAFSA) has increased. Ms. Foy said that percentage has increased by 30%.

Mr. Watson asked whether WTCS's budget request would eliminate the gap in unmet need. Mr. Clancy explained that it would merely reduce, not eliminate, the gap.

Noel Radomski, Wisconsin Center for the Advancement of Postsecondary Education

Mr. Radomski described the landscape surrounding financial aid for higher education in Wisconsin, including economic factors, state budget restraints, changing demographics, the trend of institutional "upscaling," increased reliance on loans, and perceptions by low-income families regarding the cost of higher education.

Chair Ballweg asked what results can be identified with regard to the Wisconsin Covenant program and efforts by high school counselors. Mr. Radomski stated that high school counselors tend to be overburdened, and that the Wisconsin Covenant program is intended to fill gaps in services the counselors are unable to provide. He mentioned that the Wisconsin Covenant program is modeled to some degree on Indiana's Twenty-first Century Scholars program. Ms. Kerwin offered to provide the committee with data regarding the College Access Champion Award program administered by the Great Lakes Higher Education Corporation.

Chair Ballweg asked what other innovative programs might serve as models for Wisconsin. Mr. Radomski gave some examples, with the caveat that not all programs have been fully studied.

Ms. Hojan-Clark asked whether there is research available on connections between families' perceptions of costs and actual costs. Mr. Radomski recommended a study by the Delta Project on Postsecondary Education Costs, Productivity, and Accountability. In addition, Ms. Goldrick-Rab recommended a forthcoming working paper by Doug Harris at the Wisconsin Center for the Advancement of Postsecondary Education, which she will make available to the committee.

Connie Hutchison, HEAB

Ms. Hutchison provided an overview of Wisconsin financial aid programs, including eligibility requirements and formulas used to determine awards. She noted that HEAB distributes funds to schools; it does not give grants directly to students. She explained that for both the Wisconsin Higher Education Grant and the Wisconsin Tuition Grant, presidents of the UW System, WTCS, and WAICU

submit recommended award amounts each year. HEAB then meets in February of each year to consider the proposals. She stated that HEAB's goals for that process are transparency and simplicity.

Ms. Hutchison then presented a five-year appropriations history for the Wisconsin Higher Education Grant. She mentioned that the technical colleges and private institutions, in particular, lack sufficient funding. She described HEAB's method for over-committing funds to ensure that all of its appropriations will be used. She also gave overviews of the state's Talent Incentive Program, Academic Excellence Scholarship, the Wisconsin-Minnesota Reciprocity Agreement, and other grant and loan programs.

Senator Risser asked how formulas are determined for state loan programs. Ms. Hutchison explained that there are statutory maximums but no set formula. Instead, schools determine how to allocate loan funds. Senator Risser also asked whether the loans are cost effective. Ms. Hutchison noted that distribution of the loans is not costly, but collecting from recipients who do not qualify for forgiveness is sometimes problematic.

Chair Ballweg asked whether there is a perceptible difference in philosophy regarding the size of awards in the UW System, WTCS, and WAICU. Ms. Hutchison explained that the systems share the same goal: they attempt to give the most awards possible while ensuring a meaningfully sized award.

Mr. Larson commented that the prohibition against giving financial aid awards to persons owing child support may create a cyclical trap.

Representative Lothian asked who is collecting information on the number of students who will apply for aid. Ms. Hutchison explained that HEAB uses existing numbers to project future eligibility.

Sara Goldrick-Rab, Educational Policy Studies and Sociology, UW-Madison, and Co-Director of the Wisconsin Financial Aid Study

Ms. Goldrick-Rab presented findings of the Wisconsin Financial Aid Study ("WiscAid"), which has studied experiences of undergraduate students in Wisconsin's higher education institutions to determine how financial resources have affected their college experiences. She summarized the theoretical effect of financial resources and discussed study participants' experiences. Based on the preliminary findings, she offered two reasons that some Wisconsin students may not receive sufficient financial aid. First, she explained that the complexity of aid programs is a barrier. For example, students have difficulty completing a FAFSA and may not understand the difference between good and bad loans, or how enrollment levels affect aid. She said that a second barrier is unpredictability. For example, the Wisconsin Higher Education Grant awards vary from year to year and are not guaranteed.

Chair Ballweg asked whether students are choosing private loans over public ones, and whether the phenomenon of loan aversion is a particular problem in the Midwest. Ms. Goldrick-Rab responded that the choice of private loans does not appear to be widespread, but loan aversion appears to be a national phenomenon. Ms. Kerwin mentioned that loan default may be an important problem for the committee to address.

Mr. Watson asked about students who come close to finishing an undergraduate degree. Ms. Goldrick-Rab said that although students derive some benefit from completing coursework, failing to obtain a credential can have psycho-social consequences, as students may feel demoralized.

Chair Ballweg asked whether there is a tipping point for the number of hours a student can successfully work during school. Ms. Goldrick-Rab stated that the rule of thumb is 20 hours per week.

Ms. Hojan-Clark asked whether there are resources available at institutions to help students make financial aid choices. Ms. Goldrick-Rab explained that some students lack the time to tap those resources and suggested that requiring students to obtain advice or counseling might be effective.

Rolf Wegenke, WAICU

Mr. Wegenke testified that Wisconsin needs significant numbers of additional postsecondary degree holders, and that the return on investment in college degrees is positive for the state. He described the demographic and economic challenges facing the state in this regard. He said that financial aid levels are insufficient, and Wisconsin is falling behind Minnesota and other states. He noted that although the federal Pell Grant awards have increased, state financial aid awards have not increased commensurately. He stated that aid to Wisconsin's private and technical college students has been particularly insufficient, with the disparity sending a message that the UW System schools are more valued. He also mentioned that Wisconsin's forgivable loan programs are difficult to administer, and it is unclear whether they affect students' behavior.

Chair Ballweg noted that the committee could have the Legislative Fiscal Bureau evaluate whether the lower tuition at Wisconsin's higher education institutions may offset the lower amounts of aid granted compared to Minnesota. Mr. Wegenke referred the committee to Figure 12 on page 19 of his presentation.

Maria Flores, HEAB

Ms. Flores presented a student's perspective on the importance of financial aid. She described benefits she had derived from financial aid, including opportunities for career development and community service. She explained that financial aid made such opportunities possible because it enabled her to use hours remaining outside of school and work to engage in such activities, rather than working additional hours.

Ms. Goldrick-Rab asked how Ms. Flores had known to apply for financial aid. Ms. Flores explained that her high school guidance counselor had provided assistance.

Kevin Reilly and Kristofer Frederick, UW System Administration

Mr. Reilly stated that he was testifying on behalf of the 179,000 students in the UW System. He described the System's interrelated goals of producing more graduates and more jobs and facilitating the development of a more competitive workforce. He highlighted demographic challenges and noted that Wisconsin has been outpaced by Minnesota, both in terms of the percentage of people with college degrees and measures of income. He mentioned that university research and development generates jobs and industry, including in the private sector. He described the importance of financial aid both for increasing enrollment and retaining students.

Mr. Frederick provided an overview of financial aid statistics and trends for the UW System. He stated that Wisconsin ranks 28th in the nation in per capita grant funding and does not compare favorably to its neighboring states. He mentioned that students' unmet financial need has increased over time.

Mr. Reilly listed several key principles and gave the following six recommendations: (1) No one should be priced out of a college education; (2) Wisconsin Higher Education Grants should increase dollar-for-dollar with tuition; (3) middle income families need financial aid; (4) aspirational programs should be supported and expanded; (5) financial aid should be easily understood; and (6) money does matter.

Mr. Reilly and Mr. Frederick answered questions from committee members. Chair Ballweg asked what the UW System is doing to increase capacity. Mr. Reilly explained that the focus will be on degree completion and retention, rather than only increasing enrollment.

Senator Risser asked about the feasibility of reducing the time required to complete a degree. Mr. Reilly stated that schools are developing plans to ensure graduation within four years and to break up “bottleneck” courses.

Shannon Loredo, Wisconsin Covenant

Ms. Loredo gave an overview of the Wisconsin Covenant program. She stated that the program addresses three issues: (1) aspiration to attend college; (2) preparation for college; and (3) financial barriers to attending college. She noted that a recently approved administrative rule will govern the distribution of \$25 million appropriated primarily to fund grants to the first cohort of students who signed the Wisconsin Covenant pledge several years ago.

Following her presentation, Ms. Loredo answered committee members’ questions. Chair Ballweg asked how the program might have been inspired by Indiana’s Twenty-first Century Scholars program. Ms. Loredo stated that she has met with the directors of Indiana’s program and other states’ programs to compare progress.

Ms. Hojan-Clark asked what information is available regarding the demographics of students who have signed the Wisconsin Covenant pledge. Ms. Loredo stated that pledge signers generally reflect the Wisconsin population as a whole.

Representative Lothian asked whether the \$25 million appropriation is sufficient. Ms. Loredo explained that the state funds will be paired with funding from the Wisconsin Covenant Foundation.

Mr. Watson asked what is known regarding attrition of students from the program during high school. Ms. Loredo explained that the program does not require students to check in during high school, so that information will not be available until the first cohort of pledge signers finishes high school next year.

Discussion of Committee Assignment

This agenda item was postponed until the next meeting.

Other Business

Chair Ballweg said that the next committee meeting agenda may be divided equally between presentations and discussion. She will send committee members options for the dates of upcoming meetings.

Adjournment

The meeting was adjourned at 5:00 p.m.

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