



## WISCONSIN LEGISLATIVE COUNCIL STAFF MEMORANDUM

Memo No. 2

TO: MEMBERS OF THE SPECIAL COMMITTEE ON REVIEW OF HIGHER EDUCATION  
FINANCIAL AID PROGRAMS

FROM: Scott Grosz and Anna Henning, Staff Attorneys, and Dan Schmidt, Senior Analyst

RE: Options for Legislation

DATE: November 2, 2010

This Memo presents options for committee discussion. The options included have been suggested in testimony before the committee or by committee members. The Memo is not intended as an exhaustive list of possible committee options. Rather, it provides a starting point for committee discussion.

### **1. Modification or Elimination of the Academic Excellence Scholarship Program**

Under current law, the Academic Excellence Scholarship program provides scholarships to the seniors with the highest grade point average (GPA) from each high school in Wisconsin that enroll in a public or private institution of higher education in the state. Currently, financial need is not considered in determining a student's eligibility for the scholarship. In the 2009-11 Biennium, the scholarship program was funded with a general purpose revenue (GPR) appropriation of \$3,309,300.

Under this option, the committee could recommend the modification or elimination of the Academic Excellence Scholarship program. With regard to modifications, the committee could choose to add a financial need element to the eligibility requirements of the scholarship. In pursuit of this option, the committee may wish to consider:

- The appropriate measure of financial need for program eligibility.
- The manner in which the scholarships at a particular school will be awarded if the students with the highest GPAs do not demonstrate financial need.

If the committee were to recommend the elimination of the Academic Excellence Scholarship program, it may wish to consider:

- The options for use of the appropriation currently dedicated to the program.
- Coordination with other committee recommendations regarding consolidation of financial aid programs.

## **2. Tuition Incentives**

Under this option, the committee could recommend the implementation of a program that would aid in the control of higher education costs through increased certainty and incentives in tuition. The committee could recommend one or both of the following:

- Advance payment of tuition, allowing a prospective student to pay current tuition rates for future enrollment. Under this option, the committee may wish to consider:
  - The time in advance in which a person may purchase tuition.
  - The effect of advance tuition purchases on the tuition costs of other students.
- Modifications to the per-credit cost of tuition to incentivize early and on-time graduation. Typically, institutions of higher education charge by the credit for part-time enrollment and offer a flat rate for a range of “full-time” credits, followed by additional charges for credits beyond the top of the “full-time” range. The committee could recommend modifications to this tuition model that would provide better incentives for on-time completion. For example, a tuition model might consider 12 credits to be “full-time” but charge tuition at a per-credit rate through 14 credits, with a flat rate for 15 to 18 credits (the number of credits needed per semester to graduate with a four-year degree in four years). The model may provide an incentive for on-time graduation if the flat rate is cheaper than the total cost of 12, 13, or 14 credits.

## **3. Modification and Expansion of Reciprocity Programs**

The current Wisconsin/Minnesota Tuition Reciprocity Agreement (the Agreement) establishes a reciprocal fee structure for residents of either Wisconsin or Minnesota who are enrolled in public institutions of higher education in either state. The reciprocal fee may not exceed the higher of the resident tuition that would be charged to a student at a comparable institution located in his or her state of residence. In addition, the agreement provides for the waiver of nonresident tuition for a resident of either state who is enrolled in a public vocational school located in the other state.

The intent of the Agreement is to ensure that neither state profits at the expense of the other in respect to higher education revenues. For each academic year, the Higher Educational Aids Board (HEAB) prepares an administrative memorandum, in cooperation with the Minnesota Office of Higher Education, establishing the policies and procedures regarding the reciprocity agreement and the reciprocal fee structure, which is then submitted to the Joint Committee on Finance for passive review. At the end of each academic term, each state determines the number of students who have received a nonresident tuition waiver. The state with the larger reimbursement obligation is then responsible for paying the difference between the obligation and the smaller obligation incurred by the other state.

One option for committee action could be to recommend modifying the Agreement such that the tuition paid by a student is the higher tuition of the resident tuition in the student's state of residence or the resident tuition in the institution attended by the student. Under this option, the student would pay the higher of the tuitions (generally, the Minnesota tuition) and the excess money collected would be added to the appropriate need-based scholarship program selected by the committee. Based on reciprocity payments remitted to state GPR in 2009-10, this could result in an increase of scholarship funding of approximately \$8.7 million.

Currently under the Midwestern Higher Education Compact (MHEC), s. 39.80, Stats., students may pursue out-of-state educational opportunities at more affordable prices than otherwise available. The MHEC provides for a tuition-reduction program with participation by over 140 institutions from eight states (Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, and Wisconsin). Under the program, out-of-state students pay 150% of in-state tuition at participating public schools, and may receive a 10% discount on private school tuition at participating private schools.

Another option for the committee could be to recommend directing HEAB to pursue additional reciprocity agreements with neighboring states or to recommend pursuing increased participation in the tuition-reduction program offered under the MHEC. Issues the committee may wish to consider related to this option include whether the increased participation in reciprocity or tuition-reduction programs would have associated costs that outweigh the benefits; and, particularly, whether interest in attendance at Wisconsin schools by students from other states would outweigh the interest of Wisconsin students to attend out-of-state schools.

#### **4. Revision to Administration of the Wisconsin Higher Education Grant**

The Wisconsin Higher Education Grant (WHEG) program provides grants to undergraduate residents enrolled at least half-time in degree or certificate programs at the University of Wisconsin (UW) System, Wisconsin Technical College System (WTCS), and tribal institutions. Awards are based on financial need and range from \$250 to \$3,000 per year. Eligibility for the WHEG cannot exceed 10 semesters. Section HEA 5.02, Wis. Adm. Code, describes the application deadline for the WHEG as follows:

No specific application deadline shall be established in the Wisconsin higher education grant program, but rather a priority date with a rolling deadline. A student must, however, apply for a Wisconsin higher education grant prior to or during the term for which the student expects to receive the grant.

While a student must be enrolled at least half-time in order to be eligible for the WHEG, amounts of awards are made based on financial need, without distinction between full-time and part-time students.

Under this option, the committee could recommend a specific application deadline for the WHEG. Additionally, or alternatively, the committee could recommend additional statutory guidance on the award of the WHEG to full-time students in comparison to part-time students.

**5. Correct Inconsistencies in the Financial Aid Process Through Maintenance of Scholarship Funding Levels as Proposed by 2007 Senate Bill 450**

Under current law, HEAB provides higher education grants to Wisconsin residents who are enrolled in the UW System, a technical college, or a tribal college and tuition grants to Wisconsin residents who are enrolled in accredited, nonprofit post-high school, educational institutions in this state. Additionally, the Board Regents of the UW System provides grants, known as Lawton grants, to minority undergraduates enrolled in the UW System. Sum certain amounts are appropriated in each fiscal year for tuition grants and for higher education grants for technical college and tribal college students. For higher education grants for UW System students, beginning with the 2009-11 state fiscal biennium, there is appropriated a sum sufficient equal to the amount appropriated for those grants in the previous fiscal year (base amount) increased by the average percentage by which the undergraduate academic fees that will be charged for the next academic year at each institution within the UW System, as estimated by HEAB, will increase from the undergraduate academic fees charged for the current academic year. The same formula is also used to calculate the amount appropriated for Lawton grants.

The proposal expressed in 2007 Senate Bill 450 changes the formula used to calculate the amounts appropriated for higher education grants for UW System students and for Lawton grants. The bill also requires HEAB to use the new formula to calculate the amounts appropriated for tuition grants and for higher education grants for technical college and tribal college students. Specifically, under the bill, beginning with the next state fiscal biennium (presumably 2011-13), the amounts appropriated for tuition grants, for Lawton grants, and for higher education grants for UW System students, technical college students, and tribal college students would be determined by increasing the base amount for each of those appropriations by the greater of the average percentage increase determined under current law or the amount obtained by multiplying the increase in the undergraduate academic fees that will be charged for a student to attend UW-Madison for the next academic year, as estimated by HEAB, over the current academic year by the number of students who are receiving the respective grants for the current academic year.

**6. Require UW Tuition to be set a Year in Advance**

The notion behind this proposal is to permit grant formulas to be determined a year in advance so students can be informed of financial aid availability in a timely fashion and plan accordingly.

The UW Board of Regents traditionally sets tuition for the UW system schools in June of the respective academic year (e.g., June 2010, for the 2010-11 academic year). While it is possible to require the Board of Regents to set tuition a year in advance, it is likely infeasible from a policy perspective, particularly in years where the state budget is established. A policy such as this would require the UW to have set tuition a year prior to knowing what they will receive in state budget support. This could result in significant UW budget shortfalls that could not be remedied through tuition changes.

Another similar option recommended is to advance the legislative and HEAB timeline so that the grant funding may be determined prior to January 1 of each academic year. This is impractical for the same reason mentioned above. In budget years, the grant and scholarship appropriations would precede the budget process, potentially causing funding shortfalls.

## **7. Consolidate Multiple Existing Grant Programs or Streamline Funding**

Under this option, the committee could recommend that multiple grant programs be consolidated or, alternatively, that funding for various programs be streamlined. If the committee considers the consolidation of programs, a question would arise regarding which programs could be combined. Suggestions made to the committee include:

- Restructuring the WHEG and Wisconsin Tuition Grant programs to create a single grant program that would apply to the UW System, WTCS, tribal institutions, and nonprofit and independent colleges.
- Combining small financial aid programs.

As an alternative to or in conjunction with program consolidation, the committee could recommend streamlining funding for various financial aid programs. An approach adopted by the State of Washington was suggested to the committee as a potential model. In 2009, the Washington Legislature established an account, entitled the “Washington Opportunity Pathways Account,” to fund multiple state financial aid programs using state lottery revenue. [RCW 28B.76.526.] The state maintains separate financial aid programs, but the various programs are described together under the label “Washington Opportunity Pathways” and funded through a common account. [<http://www.hecb.wa.gov/OpportunityPathway/index.asp>.]

It has been suggested that practical considerations may pose difficulties for these options. For example, a challenge to feasibility may arise because some programs reflect compromises between the UW System and the Legislature regarding the balance between tuition levels and financial aid. Similarly, it has been mentioned that small programs may draw support from unique constituencies which might withdraw political support for a combined program.

## **8. Create a State Work Study Program**

Under this option, the committee could recommend the establishment of a new program to fund wages earned by students working in approved part-time jobs during school. An existing federal program, the Federal Work-Study program, provides funding for students’ part-time work. [42 U.S.C. 2751-2756b.] The federal funding is allocated to eligible higher education institutions based on a statutory formula that accounts for student financial need. Schools have flexibility in allocating work-study funds to individual students. However, a student’s work-study award, combined with other financial aid assistance received, cannot exceed the total amount of a student’s financial need, as determined by information submitted on the Free Application for Federal Student Aid (FAFSA).

Several states have established state work-study programs.<sup>1</sup> The programs generally supplement the Federal Work-Study program. Like the federal program, other states’ programs typically fill the gap between a student’s financial need (based on the federal need analysis) and the amount of other financial aid assistance received.

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<sup>1</sup> For example, Minnesota, Montana, Pennsylvania, and Washington have established state work-study programs. Descriptions of these programs are available at <http://www.ohe.state.mn.us/mPg.cfm?pageID=347> (Minnesota), [http://www.mgsip.state.mt.us/Content/Paying\\_For\\_College/Work\\_Study](http://www.mgsip.state.mt.us/Content/Paying_For_College/Work_Study) (Montana), <http://www.pheaa.org/workstudy/index.shtml> (Pennsylvania), and <http://www.hecb.wa.gov/paying/waaidprgm/sws.asp> (Washington).

Questions the committee may wish to consider with regard to a state work-study program include the following:

- How would a state program relate to the federal program?
- Which students would be eligible?
- Would funds be allocated to schools, employers, or students?
- What types of work would be covered?

**9. Fund Staff Positions in Financial Aid Offices Through “Administrative Allowances”**

Under this option, the committee could recommend that funds for financial aid administration be allocated to financial aid offices based on the number of students who receive assistance. Specifically, such offices would receive a set dollar amount – i.e., an “administrative allowance” – for each student who receives assistance in obtaining financial aid through a given program or set of programs. Questions the committee may wish to consider include what the funding source might be and how administrative allowances might impact the existing approach to funding financial aid administration.

**10. Remove the Continuous Enrollment Requirement for the Talent Incentive Program Grant**

The Talent Incentive Program (TIP) grant provides grants of \$250 to \$1,800 to the most financially needy and educationally disadvantaged resident students in the state. [s. 39.435 (2), Stats.] To receive the grants, students must be nominated as first-time freshman students by their financial aid offices or through the Wisconsin Educational Opportunities program. Students may continue to receive the grants during their sophomore, junior, and senior years.

Under current law, TIP grants must be awarded in “consecutive semesters.” [s. 39.435 (2), Stats.] HEAB administrative rules specify that a student “shall maintain continuous enrollment from semester to semester, or quarter to quarter, to remain eligible for a grant award for the sophomore, junior and senior years.” [s. HEA 5.05 (2), Wis. Adm. Code.]

Under this option, the committee could recommend that s. 39.435 (2), Stats., be amended to clarify that students need not maintain continuous enrollment. The committee may also wish to work with HEAB to facilitate a change in administrative rules to that effect.

It has been suggested that in practice, decisions to decline eligibility based on interruptions to enrollment are often reversed on appeal to HEAB. If so, the practical effect of this option may be relatively small.

**11. Eliminate the Prohibition on Receipt of State Financial Aid by Those Who Are Delinquent in Their Child Support**

Wisconsin statutes generally prohibit an individual from receiving financial aid if that individual is listed on the Department of Workforce Development’s statewide Child Support Lien Docket, unless the individual has an approved payment plan (see ss. 39.30 (2) (e) and 39.38 (2), Stats.). This prohibition applies to the following financial aid programs:

- Academic Excellence Scholarship.
- Handicapped Student Grant.
- Indian Student Assistance Grant.
- Minnesota-Wisconsin Tuition Reciprocity Program.
- Minority Retention Grant.
- Talent Incentive Program Grant.
- Wisconsin Higher Education Grant.
- Wisconsin Tuition Grant.

Under the proposed option, the committee could recommend the elimination of the prohibition, thus permitting delinquent obligors to receive financial aid from the programs listed above. Note that, in addition to representing a significant change in policy toward delinquent child support obligors, the federal government does not clearly distinguish between income received through an occupation and that received as financial aid. Therefore, any bank deposit may be subject to seizure for unpaid child support liens.

## **12. Prohibit Funding of WHEG Through the Transfer of Segregated Fees and Auxiliary Reserves**

In the 2009-10 Biennial Budget Act, funding was provided for the WHEG program for UW students through a combination of GPR as well as program revenue, with the program revenue drawn from UW System's auxiliary enterprises appropriation (auxiliary reserves). The Legislative Fiscal Bureau describes UW System's auxiliary enterprises as follows:

As part of its operations, each UW System campus administers auxiliary enterprises, which are non-instructional facilities that provide services to students. These operations, 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, student health services, transportation, student unions, and intercollegiate athletics, are funded, at least in part, through segregated fees assessed to all students which are also included under the UW System's auxiliary reserve appropriation. [*Comparative Summary of Budget Provisions (2009 Act 28)*, p. 653, Legislative Fiscal Bureau (August 2009).]

Under this option, the committee could recommend legislation to prohibit the transfer of auxiliary reserves for purpose of funding the WHEG program. Considering the relative inability of a current legislature to control actions that may be undertaken by a future legislature, the committee may wish to consider whether the practical effect of this option would be limited by the ability of a future legislature to act notwithstanding any transfer limitations applied to auxiliary reserves.