

Higher Educational Aids Board

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Legislative Fiscal Bureau

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May 12, 2015

Joint Committee on Finance

Paper #390

Minnesota-Wisconsin Student Reciprocity (HEAB and UW System)

[LFB 2015-17 Budget Summary: Page 250, #2, and 467, #27]

CURRENT LAW

The Higher Educational Aids Board (HEAB) is responsible for administering the Minnesota-Wisconsin student reciprocity agreement. The purpose of that agreement is the mutual improvement of educational advantages for residents of this state and of Minnesota, to ensure that neither state profits at the expense of the other, and that payments made under the agreement are determined based on an equitable formula which reflects educational costs incurred, differentials in usage, and differentials in tuition charged. The agreement provides for the waiver of nonresident tuition for residents of either state enrolled in public vocational schools in the other state and establishes a reciprocal tuition structure for residents of either state enrolled in public institutions of higher education, other than vocational schools, located in the other state. Tuition charged under the agreement may not exceed the higher of the resident tuition charged by the institution in which the student is enrolled or the resident tuition at a comparable institution in the student's home state. The agreement is subject to the approval of the Joint Committee on Finance.

HEAB and the designated body representing the state of Minnesota prepare an annual administrative memorandum that establishes policies and procedures for the upcoming academic year, including the reciprocal tuition structure. That administrative memorandum is submitted to the Joint Committee on Finance for approval through a 14-day passive review process.

At the end of each semester or academic term, each state determines the number of students for whom nonresident tuition has been waived under the agreement. Each state certifies to the other state the aggregate amount of its reimbursement obligation and the state with the larger obligation pays the difference between the two obligations. Any payments received by the state of Wisconsin related to the agreement are deposited in the state's general fund.

GOVERNOR

Transfer the authority to enter into a student reciprocity agreement with the state of Minnesota from HEAB to the UW System Authority Board of Regents on July 1, 2016, and make entering into such an agreement optional, instead of required as under current law. Delete the GPR sum sufficient appropriation under HEAB for payments to Minnesota under the agreement in 2016-17 (-\$7,200,000 GPR). Under the bill, the UW System Authority Board of Regents would be responsible for making any payments required under the agreement to Minnesota. Specify that the UW System Authority would not be liable for any reimbursement obligation under the agreement that accrues before July 1, 2016.

Delete language making such an agreement subject to approval by the Joint Committee on Finance and requiring that the annual administrative memorandum related to the agreement be approved by the Joint Finance Committee through a passive review process. Delete language specifying that payments received under the agreement be deposited in the state's general fund (-\$12,240,300 GPR-REV). This would permit the UW System Authority to retain all tuition revenues paid by Minnesota students attending UW institutions under the agreement instead of transferring the amount of tuition paid that exceeds the Wisconsin resident tuition rate to the state's general fund.

DISCUSSION POINTS

1. Table 1 shows the number of Minnesota students who enrolled in UW institutions; the number of Wisconsin students who enrolled in University of Minnesota (UM) and Minnesota State Colleges and Universities (MnSCU) institutions; payments made by HEAB to the state of Minnesota, UM, and MnSCU institutions; the amount of tuition paid by Minnesota students that was deposited in the general fund; and the net effect of the agreement on the state's general fund in each of the most recent 10 years.

TABLE 1

MN-WI Reciprocity Enrollment and Payment History

<u>Academic Year</u>	<u>MN Student Enrolled in WI</u>	<u>WI Students Enrolled in MN</u>	<u>Total WI Payments to MN, UM, and MnSCU</u>	<u>Tuition Differential</u>	<u>Net Effect on the General Fund</u>
2004-05	13,139	11,409	\$6,514,759	\$8,204,476	\$1,689,717
2005-06	13,595	11,418	7,770,537	8,685,989	915,452
2006-07	13,686	11,646	10,017,151	9,658,594	-358,557
2007-08	13,726	11,308	10,529,953	9,063,320	-1,466,633
2008-09	14,034	10,690	11,249,275	8,944,233	-2,305,042
2009-10	14,152	10,301	12,886,505	8,683,624	-4,202,881
2010-11	14,431	10,181	12,233,852	8,379,674	-3,854,178
2011-12	14,590	9,848	11,292,821	13,586,567	2,293,746
2012-13	14,523	9,282	9,596,015	12,557,217	2,961,202
2013-14	14,186	8,794	8,204,228	12,240,284	4,036,056

2. As shown in Table 1, HEAB has made payments to the state of Minnesota under the agreement in each of the most recent 10 years. Beginning in 2008-09, HEAB has also made payments to UM and MnSCU institutions related to the Wisconsin reciprocity supplement program. This program provides a tuition credit to Wisconsin students enrolled in UM and MnSCU institutions which, in most cases, is equal to the difference in the resident tuition charged by the institution in which the student is enrolled and resident tuition charged by a comparable UW institution. Beginning in 2012-13, only students who have been continuously enrolled since the 2011-12 academic year have been eligible for the Wisconsin reciprocity supplement program. The program is set to end at the end of the current academic year at which point payments to UM and MnSCU institutions will cease. As shown in Table 1, total payments to the state of Minnesota, UM, and MnSCU institutions have declined in the most recent two years as the Wisconsin reciprocity supplement program has been phased out.

3. Under current law, UW institutions retain only the portion of tuition paid by Minnesota students that is equal to what a similar Wisconsin resident student would have paid. Any additional tuition paid by Minnesota students is deposited in the state's general fund. The amount of tuition paid by full-time Minnesota undergraduates that is transferred to the state's general fund varies significantly by UW institution. Transfers are highest from UW-Madison and UW-Milwaukee where the amount of tuition paid by full-time Minnesota undergraduates exceeds Wisconsin resident undergraduate tuition by \$2,787 and \$3,628, respectively, in the current academic year. The amount transferred to the general fund by other UW institutions varies from \$263 to \$500 per full-time Minnesota undergraduate student. Three UW institutions (Eau Claire, La Crosse, and the UW Colleges) do not transfer any tuition paid by Minnesota undergraduates to the general fund because resident tuition at those institutions exceeds resident tuition charged by comparable MnSCU institutions. The total amount of tuition paid by Minnesota students that was transferred to the general fund is shown in Table 1 under the heading "Tuition Differential." (Attachment 1 shows resident, reciprocity, and nonresident undergraduate tuition rates charged by UW, UM, and MnSCU

institutions in 2014-15.)

4. The net effect of the agreement on the state's general fund is the difference between the total amount of payments made by HEAB to the state of Minnesota, UM, and MnSCU institutions and the amount of tuition paid by Minnesota students that is deposited in the general fund. While the agreement had a negative effect on the general fund from 2006-07 to 2010-11, the agreement has had a positive effect on the general fund in the most recent three years. In 2013-14, the agreement had a positive effect on the state's general fund balance of \$4.0 million.

5. Over the time period shown, enrollment by Minnesota students in UW institutions has increased by 8% while enrollment by Wisconsin students in UM and MnSCU institutions has decreased by 23%. (Attachment 2 shows the number of undergraduate students who enrolled in UW, UM, and MnSCU institutions under the agreement in fall, 2013.) These changes in enrollments have contributed to the increases in the payments made by Wisconsin to Minnesota under the agreement. Payments under the agreement are based on the reciprocity cost of instruction, which is equal to 64% of total per credit instructional costs as calculated by the UW System, and the amount of tuition paid by students enrolled under the agreements. Tuition paid by both Minnesota and Wisconsin students now exceeds the reciprocity cost of instruction in most cases. Because more Minnesota students attend UW institutions, the total tuition paid by Minnesota students exceeds the total reciprocity cost of educating those students by a greater amount than the tuition paid by Wisconsin students attending UM and MnSCU exceeds the total reciprocity cost of educating these students. As a result, Wisconsin makes an annual payment to Minnesota under the agreement despite more Minnesota students enrolling in UW institutions than Wisconsin students enrolling in UM and MnSCU institutions.

6. Under the bill, the authority and responsibility for the agreement would be transferred from HEAB to the UW System on July 1, 2016. In addition, UW institutions would be permitted to retain all tuition paid by Minnesota students instead of transferring a portion of those tuition revenues to the general fund as under current law. Based on the amount of tuition that was transferred to the general fund by UW institutions in 2013-14, it is estimated that this change would allow UW institutions to retain \$12,240,300 in tuition paid by Minnesota students. However, the UW System would also be responsible for making any payments required under the agreement to the state of Minnesota. These payments are currently made through a sum sufficient GPR appropriation for that purpose under HEAB. The bill would not create a similar sum sufficient GPR appropriation for that purpose under the proposed UW System Authority. Instead, the proposed UW System Authority would be required to make payments to Minnesota under the agreement using GPR funds provided to the Authority through its GPR block grant or using other revenues available to the Authority. It is estimated that payments from Wisconsin to Minnesota under the agreement would be \$6.4 million annually.

7. Table 2 shows the potential fiscal impact on each UW institution of the Governor's proposal to transfer the Minnesota-Wisconsin tuition reciprocity agreement to the proposed UW System Authority. The first column shows the estimated increase in tuition revenues based on the amount of tuition transferred to the general fund by each institution in 2013-14. The second column shows the portion of the year-end payment to Minnesota that each institution could pay if those

payments were proportional to the increase in tuition revenues shown in the first column. The third column shows the estimated net increase in revenues which is equal to the increase in tuition revenues less the institution's portion of the year-end payment to Minnesota. The actual net increase in revenues for each institution would differ if the UW System Authority distributed the cost of the agreement to the institutions in a different manner or if the agreement was modified in a way that would reduce, or eliminate, the year-end payment made to Minnesota.

TABLE 2

Potential Fiscal Impact on Each UW Institution of the Governor's Proposal to Transfer the Minnesota-Wisconsin Tuition Reciprocity Agreement to the Proposed UW System Authority

	Estimated Increase in Tuition Revenues Retained	Institution's Portion of Payment to Minnesota Based on Increase in Tuition	Net Increase in Revenues
Madison	\$8,853,800	-\$4,629,300	\$4,224,500
Milwaukee	1,337,100	-699,100	638,000
Eau Claire	14,900	-7,800	7,100
Green Bay	27,800	-14,500	13,300
La Crosse	219,800	-114,900	104,900
Oshkosh	28,900	-15,100	13,800
Parkside	3,600	-1,900	1,700
Platteville	45,800	-24,000	21,800
River Falls	1,041,600	-544,600	497,000
Stevens Point	199,700	-104,400	95,300
Stout	213,700	-111,800	101,900
Superior	236,800	-123,800	113,000
Whitewater	16,800	-8,800	8,000
	\$12,240,300	-\$6,400,000	\$5,840,300

8. Under the bill, the Board of Regents would have the authority to negotiate changes to the agreement with the Minnesota or to terminate the agreement. Under the terms of the current agreement, there would be a four-year phase-out period if the Board of Regents were to terminate the agreement. The UW System President has indicated that, if given the authority to do so, the Board may engage in negotiations with Minnesota to reduce or eliminate Wisconsin's payments under the agreement.

9. One option that could reduce Wisconsin's payments under the agreement would be to renegotiate the agreement such that payments would be calculated based on a higher percentage of costs than the 64% that is currently used. Because a greater number of Minnesota students enroll under the agreement than Wisconsin students, increasing the percentage of cost used to calculate the payment would increase Minnesota's costs under the agreement by a greater amount than it would increase Wisconsin's costs and thus reduce Wisconsin's overall obligation. Table 3 compares the

payments Wisconsin has made to Minnesota in the most recent three years to the payments that would have been made had the payments been calculated using 100% of cost. Table 3 excludes payments made by Wisconsin to UM and MnSCU institutions related to the Wisconsin reciprocity supplement program. As shown in the table, if payments had been calculated using 100% of costs, Wisconsin's potential obligation would have been negative, meaning Minnesota would have made payments to Wisconsin in each of the most recent three years.

TABLE 3

Actual Payments Made Under Reciprocity Agreement and Estimated Payments If Payments Had Been Based on 100% of Cost for 2011-12, 2012-13, and 2013-14

	<u>Actual Payment</u>	<u>Estimated Payment if Payments Had Been Based on 100% of Cost</u>
2011-12	\$6,129,866	-\$4,388,006
2012-13	6,780,228	-5,012,550
2013-14	6,407,461	-6,724,226

10. In February, 2014, the ad hoc tuition policy faculty committee at UW-Madison submitted a report to the Faculty Senate at that institution which included a discussion of a proposal to exclude UW-Madison from the Minnesota-Wisconsin student reciprocity agreement. The committee estimated that if UW-Madison were excluded from the reciprocity agreement and the students currently attending UW-Madison under the agreement were replaced by students paying full, nonresident tuition, tuition revenues at UW-Madison could increase by \$52 million annually. In order to realize this additional revenue, the Regents would have to modify their current policy limiting the enrollment of nonresident undergraduate students to 27.5% of total undergraduate enrollment at any UW institution to permit UW-Madison to increase the number of nonresident undergraduates enrolled to 39% of total nonresident enrollment. Under the current policy, Minnesota students enrolled through the reciprocity agreement are not considered to be nonresident students for the purpose of this limit.

11. If UW-Madison were to be excluded from the reciprocity agreement, Minnesota may wish to exclude its flagship institution, UM-Twin Cities, from the agreement as well. In that case, Wisconsin students wishing to attend that institution would be charged the full, nonresident rate, currently \$19,310, instead of the resident rate, \$12,060, as under the agreement. In fall, 2013, there were 3,723 Wisconsin resident undergraduate students enrolled at UM-Twin Cities compared to 3,209 Minnesota resident undergraduate students enrolled at UW-Madison. If there had been no reciprocity agreement with Minnesota, it is likely that some number of Wisconsin students currently enrolled at UM-Twin Cities would have chosen to attend UW-Madison. If UW-Madison had enrolled all of the Wisconsin students enrolled as undergraduates at UM-Twin Cities in fall, 2013, it would have either had to increase its total undergraduate enrollment by 514 students, the amount by which enrollment of Wisconsin undergraduate students at UM-Twin Cities exceeds enrollment of Minnesota undergraduate students at UW-Madison, or reduce the number of nonresidents enrolled by the same amount. Reducing the number of nonresidents enrolled to accommodate the number of

Wisconsin students currently enrolled at UM-Twin Cities would have reduced UW-Madison's tuition revenues rather than increased them as suggested by the faculty committee.

12. If the agreement were to be terminated, as opposed to modified to base payments on 100% of costs, to exclude UW-Madison, or in some other manner, the action could reduce tuition revenues for the UW System with UW institutions that enroll the most Minnesota students being the most impacted. In fall, 2013, Minnesota students represented more than 20% of total undergraduate enrollment at the following four UW institutions: (a) UW-Eau Claire (21.7%); (b) UW-Stout (27.2%); (c) UW-Superior (38%); and (d) UW-River Falls (47.2%). If the agreement were to be terminated and Minnesota students were charged full, nonresident tuition, it is expected that enrollment at those institutions would decrease substantially, which would cause a substantial decrease in tuition revenues. Some number of these students would be replaced with Wisconsin resident students who, in the absence of the reciprocity agreement, would chose to enroll in UW institutions instead of UM and MnSCU institutions. However, there are significantly more Minnesota students enrolled in UW institutions other than UW-Madison than there are Wisconsin students enrolled in UM and MnSCU institutions other than UM-Twin Cities. In fall, 2013, 10,686 Minnesota students enrolled in UW institutions other than UW-Madison while 4,454 Wisconsin students enrolled in UM and MnSCU institutions other than UM-Twin Cities, a difference of more than 6,200 students.

13. If the reciprocity agreement were to be terminated, the Board of Regents could continue to charge Minnesota students the Wisconsin resident tuition rate or the Wisconsin resident rate plus a premium or surcharge at certain UW institutions in order to maintain enrollment levels at those institutions. The Board of Regents has used its statutory authority to establish tuition for different classes of students to create or join programs that allow certain nonresident students to pay less than the full, nonresident tuition rate to attend UW institutions. The largest of these programs is the Midwest Student Exchange Program (MSEP). This program allows undergraduate and graduate students from participating states, including Illinois, Indiana, Kansas, Michigan, Missouri, Nebraska, and North Dakota, to attend colleges or universities in other participating states at a tuition rate of no more than 150% of resident tuition. All UW institutions except Madison and Platteville currently participate in MSEP as do the UW Colleges Marinette and Rock County campuses. In fall, 2014, 2,596 undergraduate students and 66 graduate students attended UW institutions through MSEP. In addition to MSEP, the Tri-State Initiative at UW-Platteville allows nonresident undergraduate students from Illinois and Iowa who have been admitted to certain programs to pay the resident tuition rate plus a premium of \$4,000 per year. In fall, 2014, 1,607 students enrolled in UW-Platteville through the Tri-State Initiative.

14. However, without an agreement, there would be no guarantee that Minnesota institutions would similarly charge Wisconsin students a rate that is less than the full, nonresident rate. If Minnesota institutions were to charge Wisconsin student the full, nonresident rate, access to those institutions by Wisconsin students would be decreased.

15. Under the bill, the Board of Regents would be permitted but not required to enter into a student reciprocity agreement with Minnesota. If the Committee wishes to preserve the Minnesota-Wisconsin student reciprocity agreement in some form, the Committee could modify the bill to

require, instead of permit, the Regents to enter into such an agreement.

16. The UW System has requested that the bill be modified to delete current language related to the calculation of payments under the agreement and limiting the amount of tuition charged to students under the agreement to the higher of the resident tuition at the institution attended or a comparable institution in the student's home state. The UW System argues that the language related to the calculation of payments would limit the Regents' ability to negotiate with Minnesota to reduce or eliminate the payment Wisconsin currently makes under the agreement. In addition, the language limiting the amount of tuition charged to students under the agreement to the higher of the resident tuition at the institution attended or a comparable institution in the student's home state would prohibit both states from charging students from the other state a surcharge or a premium.

17. Under the bill, the Board of Regents would have the authority to negotiate changes to the agreement with Minnesota or to terminate the agreement without the approval of the Joint Committee on Finance (JFC) or the Legislature as a whole. If the Committee wishes to maintain legislative oversight of the reciprocity agreement with Minnesota, it could modify the Governor's bill to restore the language specifying that the agreement is subject to the approval of the JFC. The Committee could additionally require the Board of Regents to submit the annual administrative memorandum related to the agreement to JFC for approval through a 14-day passive review process.

18. However, the Governor's bill would also recreate the UW System as a public authority, thus giving the UW System more autonomy than it and other state agencies currently have. Authorizing the Board of Regents to negotiate changes to the reciprocity agreement but maintaining JFC oversight may be inconsistent with this proposed increase in autonomy. It is also unclear whether review and approval of the annual administrative memorandum by JFC is necessary or beneficial. However, if the Committee were to delete the language limiting tuition to the higher of the resident tuition at the institution attended or a comparable institution in the student's home state as requested by the UW System, the Committee may wish to continue to approve the annual administrative memorandum as it would contain the tuition rates that would be charged under the agreement.

19. Under the bill, UW institutions would retain all tuition paid by Minnesota students instead of depositing the portion of tuition paid that is in excess of resident tuition into the state's general fund as under current law. In addition, the UW System would be responsible for making any payments due to Minnesota under the agreement. It is estimated that these changes would increase revenues for the UW System by \$12.2 million and increase costs by \$6.4 million for a net benefit to the UW System of \$5.8 million. If the Committee does not wish to transfer authority for the agreement to the Board of Regents but would like to permit UW institutions to retain all tuition paid by Minnesota students, the Committee could delete the Governor's recommendation and instead modify current law to specify that UW institutions should retain all tuition paid by Minnesota students. In this case, the Committee may also wish to delete the GPR sum sufficient appropriation under HEAB for payments related to the agreement and create a PR sum sufficient appropriation under HEAB for moneys received from the UW System or the UW System Authority

for payments related to the agreement. This would require the UW System or the UW System Authority to transfer funds to HEAB for the payment to Minnesota under the agreement. This change could occur on either July 1, 2015, or July 1, 2016.

20. Under the agreement, the payment related to a given academic year is usually made in December of the following fiscal year. For example, HEAB made a payment to Minnesota for the state's obligation under the agreement for the 2013-14 academic year on December 16, 2014. Under the bill, the proposed UW System Authority would not be liable for any reimbursement obligation under the agreement that accrues before July 1, 2016, meaning that the UW System Authority would not be responsible for making the payment to Minnesota for the state's obligation under the agreement for the 2015-16. This payment is expected to be made in December, 2016. However, the bill would also delete the GPR sum sufficient appropriation under HEAB for payments related to the Minnesota-Wisconsin reciprocity agreement on July 1, 2016, which means that HEAB would be unable to make the payment to Minnesota for the 2015-16 academic year in December, 2016. To address this issue, the Committee could delay the deletion of the appropriation under HEAB by one year to July 1, 2017. The appropriation would be estimated at \$6,400,000 GPR in 2016-17.

21. Alternatively, the Committee could modify the bill to delete the language specifying that the UW System Authority would not be liable for any reimbursement obligation under the agreement that accrues before July 1, 2016, in which case the UW System Authority would make the payment due to Minnesota in December, 2016. At that point, UW institutions would have received tuition payments for the fall semester. The additional tuition paid by Minnesota students that would be retained by UW institutions in fall, 2016, is estimated at \$6.1 million which would be \$300,000 less than the estimated payment due to Minnesota in December, 2016.

ALTERNATIVES

A. Reimbursement Obligation for 2015-16 (Paid in 2016-17)

1. Approve the Governor's recommendation, which both eliminates the GPR sum sufficient appropriation on June 30, 2016, and specifies that the UW System Authority would not be liable for this payment. Under this alternative, neither HEAB nor the UW System or the UW System Authority would be responsible for making the payment due to Minnesota in December, 2016.

2. Modify the Governor's recommendation to delete the GPR sum sufficient appropriation under HEAB for payments under the Minnesota-Wisconsin reciprocity agreement on July 1, 2017, instead of July 1, 2016, as under this bill, and estimate that appropriation at \$6,400,000 annually, which would represent a decrease of \$800,000 GPR in 2015-16 and an increase of \$6,400,000 GPR in 2016-17. This would enable HEAB to make a payment to Minnesota for the reimbursement obligation that accrues prior to July 1, 2016.

ALT A2	Change to Bill
GPR	\$5,600,000

3. Modify the Governor's recommendation to delete the bill provision that specifies that the UW System Authority is not liable for the 2015-16 reimbursement obligation. Under this alternative, the UW System or the UW System Authority would be responsible for making the payment required under the agreement in December, 2016. Reestimate GPR funding in 2015-16 by -\$800,000 in 2015-16.

ALT A3	Change to Bill
GPR	-\$800,000

B. Statutory Provisions Governing Reciprocity Agreement

Modify the Governor's recommendation to do one or more of the following:

1. Require, instead of permit, the Board of Regents to enter into and administer a student reciprocity agreement with Minnesota;
2. Delete language related to the calculation of payments under the agreement and limiting the amount of tuition charged to students under the agreement to the higher of the resident tuition at the institution attended or a comparable institution in the student's home state;
3. Provide that changes to the agreement would be subject to approval by the Joint Finance Committee as under current law; and/or
4. Require the Board of Regents to submit the annual administrative memorandum related to the agreement to JFC for approval through a 14-day passive review process.

C. Retain HEAB Authority Over Reciprocity

1. Delete the Governor's recommendations. Instead, modify current law to permit UW institutions to retain all of the tuition paid by Minnesota reciprocity students. In addition, delete the GPR sum sufficient under HEAB for payments related to the Minnesota-Wisconsin student reciprocity agreement and create a PR sum sufficient appropriation under HEAB for moneys received from the UW System or UW System Authority for payments under the agreement.

a. Specify that this provision would take effect on July 1, 2015. Delete \$7,200,000 GPR in 2015-16 and provide \$6,400,000 PR annually. Reduce GPR-REV by \$12,240,300 in 2015-16.

ALT C1a	Change to Bill
GPR	- \$7,200,000
PR	<u>12,800,000</u>
Total	\$5,600,000
GPR-REV	- 12,240,300
Net Effect	
GPR Balance	- \$5,040,300

b. Specify that this provision would take effect on July 1, 2016. Provide \$6,400,000 PR in 2016-17 and reestimate GPR funding by -\$800,000 in 2015-16.

ALT C1b	Change to Bill
GPR	- \$800,000
PR	<u>6,400,000</u>
Total	\$5,600,000

2. Maintain current law relating to reciprocity. This would reduce estimated funding by \$800,000 GPR in 2015-16 and increase funding by \$6,400,000 GPR in 2016-17. Increase estimated GPR-REV by \$12,240,300 in 2016-17.

ALT C2	Change to Bill
GPR	\$5,600,000
GPR-REV	12,240,300
Net Effect	
GPR Balance	\$6,640,300

Prepared by: Emily Pope
Attachments

ATTACHMENT 1

Resident, Reciprocity, and Nonresident Undergraduate Tuition Rates at UW, UM, and MnSCU Institutions for 2014-15*

	<u>Resident</u>	<u>Reciprocity</u>	<u>Nonresident</u>		<u>Resident</u>	<u>Reciprocity</u>	<u>Nonresident</u>
Madison	\$9,273	\$12,060	\$25,523	UM-Twin Cities	\$12,060	\$12,060	\$19,310
Milwaukee	8,091	11,720	17,820	UM-Duluth	11,720	11,720	15,385
Eau Claire	7,361	7,361	14,934	UM-Crookston	10,030	10,030	10,030
Green Bay	6,298	6,798	13,870	Bemidji State University	7,145	7,145	7,145
La Crosse	7,585	7,585	15,158	Century College**	4,818	4,818	4,818
Oshkosh	6,422	6,798	13,995	Inver Hills Community College**	4,770	4,770	4,770
Parkside	6,298	6,798	13,871	Lake Superior College**	4,418	4,750	8,835
Platteville	6,418	6,798	13,991	Metro State University**	6,329	6,825	12,914
River Falls	6,428	6,798	14,001	MN State University-Mankato	6,668	6,668	14,146
Stevens Point	6,298	6,798	13,871	MN State University-Moorhead**	6,673	6,673	13,346
Stout**	7,014	7,116	14,760	St. Cloud State University**	6,584	6,675	14,226
Superior	6,535	6,798	14,108	Southwest MN State University**	6,786	6,786	6,786
Whitewater	6,519	6,798	14,092	Winona State University	6,866	6,866	12,366
UW Colleges	4,750	4,750	11,734				

*Only UM and MnSCU institutions that enrolled more than 20 Wisconsin students in fall, 2013, are shown.

** Charges tuition per credit. Tuition shown is for 30 credits.

ATTACHMENT 2

Undergraduate Enrollment at UW, UM, and MnSCU Institutions under the MN-WI Student Reciprocity Agreement in Fall, 2013

Madison	3,209	UM-Twin Cities	3,723
Milwaukee	355	UM-Duluth	692
Eau Claire	2,278	UM-Crookston*	59
Green Bay	61	Bemidji State University*	56
La Crosse	1,274	Century College*	105
Oshkosh	62	Inver Hills Community College*	22
Parkside	8	Lake Superior College	383
Platteville	130	Metro State University	50
River Falls	2,738	MN State University-Mankato	678
Stevens Point	362	MN State University-Moorhead	99
Stout	2,243	St. Cloud State University	428
Superior	960	Southwest MN State University*	23
Whitewater	56	Winona State University	1,758
UW Colleges	<u>159</u>	Others**	<u>101</u>
Total	13,895		8,177

*Institutions that do not charge nonresident tuition.

**MnSCU institutions that enrolled less than 20 Wisconsin resident students in fall, 2013.



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Joint Committee on Finance

Paper #391

Wisconsin Covenant Scholars Grants (HEAB)

[LFB 2015-17 Budget Summary: Page 250, #1 and 251, #3]

CURRENT LAW

Students who signed the Wisconsin Covenant pledge as eighth graders and successfully complete the pledge as high school seniors are eligible to receive Wisconsin Covenant Scholars grants while enrolled in UW institutions, technical colleges, private nonprofit colleges and universities, and tribal colleges located in this state. The first class of Wisconsin Covenant Scholars enrolled in postsecondary education and received Wisconsin Covenant Scholars grants during the 2011-12 academic year. Grants range from \$125 to \$1,500 and are based on the student's financial need and enrollment status. Base level funding for the Wisconsin Covenant Scholars grant program is \$12,170,000.

Under 2011 Act 32, no student may sign the Wisconsin Covenant Scholars pledge after September 30, 2011. The last class of Wisconsin Covenant Scholars will enroll in higher education in fall, 2015, and the last Wisconsin Covenant Scholars grants will be awarded to those students during the 2019-20 academic year.

GOVERNOR

Provide \$3,000,000 in 2015-16 and \$4,000,000 in 2014-15 for the Wisconsin Covenant Scholars grant program. Total program funding would be \$15,170,000 in 2015-16 and \$16,170,000 in 2016-17. In addition, delete 1.0 grants specialist project position related to the Wisconsin Covenant Scholars grant program beginning on July 1, 2015.

DISCUSSION POINTS

1. Table 1 shows the number of students who received Wisconsin Covenant Scholars grants and the total amount of those grants in 2011-12, 2012-13, and 2013-14. The total amount of grants awarded in 2014-15 is estimated based on grants awarded through April 1, 2015.

TABLE 1

Wisconsin Covenant Scholars Grants

	<u>Grant Recipients</u>	<u>Total Grants</u>
2011-12	5,093	\$3,650,800
2012-13	9,091	6,574,000
2013-14	12,569	9,001,500
2014-15*	15,866	11,400,000

*Estimated.

2. Wisconsin Covenant Scholars grant expenditures are anticipated to increase in 2015-16 when the last class of eligible students enrolls in higher education. This is due in part to the large number of students who signed up for the program as eighth graders in 2011. In that year, 20,139 students signed the pledge which was 1,884 more students than signed the pledge in 2010. Based on a completion rate of approximately 30%, it is estimated that 6,042 students may receive Wisconsin Covenant Scholars grants as first-year students in 2015-16 while only 4,931 first-year students received grants in 2014-15.

3. In addition, students who are designated as Wisconsin Covenant Scholars are eligible to receive grants for up to eight semesters during the first five years after high school graduation. Wisconsin Covenant Scholars who first enrolled in higher education in 2011-12 and have been continuously enrolled since that time will have exhausted their eligibility for grants at the end of the current academic year. However, students who did not enroll in one or more semesters since first enrolling in fall, 2011, will be eligible to receive one or two more semesters of funding. For the purpose of estimating program expenditures in 2015-16 and 2016-17, it is assumed that 45% of Wisconsin Covenant Scholars who do not exhaust their eligibility for grants during the first four years following high school graduation will receive in grants in the fifth year. This implies that the other 55% of Wisconsin Covenant Scholars who do not exhaust their eligibility for grants during the first four years will not receive grants either because they are not enrolled in higher education or because they are not enrolled in a UW institution, Wisconsin technical college, or a private, nonprofit or tribal college or university located in this state.

4. Table 2 shows Wisconsin Covenant Scholars grants recipients by high school graduation class for 2013-14 and 2014-15 and estimated for 2015-16 and 2016-17. The number of recipients in 2015-16 and 2016-17 were estimated based on the number of students who signed the pledge in 2011, the number of pledge signers who have been designated as scholars in previous years, and prior year retention rates. As noted above, it is assumed that 45% of Wisconsin

Covenant Scholars who graduated from high school in 2011 and have not exhausted their eligibility for grants in the current year will receive grants in 2015-16. Similarly it is assumed that 45% of Wisconsin Covenant Scholars who graduated from high school in 2012 and have not exhausted their eligibility for grants in 2015-16 will receive grants in 2016-17.

TABLE 2

Wisconsin Covenant Scholars Grant Recipients by High School Graduating Class in 2013-14 and 2014-15 and Estimated for 2015-16 and 2016-17

High School Graduating Class	2013-14	2014-15*	Estimates	
			2015-16	2016-17
Class of 2011	3,948	3,551	694	0
Class of 2012	4,121	3,634	3,327	651
Class of 2013	4,500	3,750	3,456	3,137
Class of 2014		4,931	4,181	3,787
Class of 2015			<u>6,042</u>	<u>5,123</u>
Total Awards	<u>12,569</u>	<u>15,866</u>	17,701	12,698
Total Expenditures	\$9,001,526	\$11,400,000	\$12,720,000	\$9,130,000
Average Award	\$716	\$719	\$719	\$719

*Total expenditures and average award is estimated based on the number of recipients, average awards in previous years, and expenditures through April 1, 2015.

5. Table 2 also shows total expenditures for the Wisconsin Covenant Scholars grant program in 2013-14 and estimated program expenditures for 2014-15, 2015-16, and 2016-17. As shown in the table, program expenditures are estimated to be \$12,720,000 in 2015-16 and \$9,130,000 in 2016-17, or \$2,450,000 less than provided in the Governor's budget bill in 2015-16 and \$7,040,000 less in 2016-17. Because Wisconsin Covenant Scholars grant program expenditures are estimated to be less than the amount provided in the Governor's budget bill, the Committee could reduce the funding for the program by \$2,450,000 in 2015-16 and by \$7,040,000 in 2016-17.

6. In its budget request, HEAB requested that the Wisconsin Covenant grants specialist position be converted from a project position to a permanent position and that \$53,200 GPR be added to the agency's base budget to fund that position. Under the Governor's budget bill, this position would be eliminated. Although no new students would be eligible for the Wisconsin Covenant Scholars program after 2015-16, students designated as Wisconsin Covenant Scholars would remain eligible for grants through the 2019-20 academic year. For this reason, the Committee may wish to authorize the Wisconsin Covenant grants specialist project position for an additional two years.

7. Under another provision of the Governor's budget bill, the authority to enter into a student reciprocity agreement with the state of Minnesota, as well as the responsibility for administering that agreement, would be transferred from HEAB to the proposed UW System Authority on July 1, 2016. Although the transfer of the reciprocity agreement would reduce

HEAB's workload, the Governor's budget would not delete any positions related to the proposed transfer. If the transfer of the reciprocity agreement is approved, it could be possible for the grants specialist who is currently responsible for administering that agreement to assume the responsibilities of the grant specialist who is currently responsible for the administration of the Wisconsin Covenant Scholars grant program. In that case, the Committee may wish to authorize the Wisconsin Covenant grants specialist project position for one additional year, through July 1, 2016, at which time the responsibilities of that position would be assumed by the grants specialist who currently administers the Minnesota-Wisconsin student reciprocity agreement.

ALTERNATIVES

A. Wisconsin Covenant Scholars Grant Program Funding

1. Approve the Governor's recommendation.
2. Reestimate Wisconsin Covenant Scholars grant program expenditures at \$12,720,000 in 2015-16 and \$9,130,000 in 2016-17 based on actual expenditure and retention data. Decrease funding under the bill for the Wisconsin Covenant Scholars grant program by \$2,450,000 in 2015-16 and \$7,040,000 in 2016-17.

ALT A2	Change to Bill
GPR	-\$9,490,000

B. Wisconsin Covenant Grants Specialist Position

1. Approve the Governor's recommendation. This would delete the Wisconsin Covenant grants specialist position beginning on July 1, 2015.
2. Authorize the Wisconsin Covenant grants specialist position for an additional two years.

ALT B2	Change to Bill	
	Funding	Positions
GPR	\$106,400	1.00

3. Authorize the Wisconsin Covenant grants specialist position for an additional year.

ALT B3	Change to Bill
GPR	\$53,200

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HIGHER EDUCATIONAL AIDS BOARD

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments
4	Technical Excellence Higher Education Scholarships

LFB Summary Items to be Addressed in a Subsequent Paper

<u>Item #</u>	<u>Title</u>
5	Provision of Information Technology Services by Department of Administration
6	Transfer Functions and Delete Positions for DOA Shared Agency Services

