

DISCUSSION/ACTION
March 2, 2007

HIGHER EDUCATIONAL AIDS BOARD

BOARD REPORT #07-18

MINNESOTA PROPOSAL FOR RECIPROCITY CHANGES



December 14, 2006

Ms. Connie Hutchison
Executive Secretary
Wisconsin Higher Education Aids Board
131 W. Wilson, PO Box 7885
Madison, Wisconsin 53707-7885

Dear Ms. Hutchison:

The purpose of this letter is to chronicle our communication over the past couple of years and to convey Minnesota's request to change the Wisconsin/Minnesota reciprocity agreement to close the gap between the tuition charged to Wisconsin residents and Minnesota residents attending public colleges and universities in Minnesota. Specifically, we propose that students pay the higher of the two resident tuition rates charged at comparable institutions in both states.

Currently Wisconsin residents attending the University of Minnesota-Twin Cities as full-time students pay \$1,191 per year less in tuition than their Minnesota classmates. Wisconsin residents attending the University of Minnesota-Morris pay \$2,720 less than their Minnesota peers. For Minnesota institutions, this tuition gap represents a loss in revenue for those students from Wisconsin paying less than Minnesota students.

Enclosed is an analysis and projections report that estimates the impact of the change on the overall finances of the agreement over time. When Wisconsin makes an interstate payment to Minnesota to reconcile the differences at the end of each year, those funds go directly to Minnesota's general fund. The most recent payment was \$6.5 million. The change we are proposing would have a projected impact on that payment as outlined in the projections report.

In February 2004, the Minnesota Office of Higher Education received a letter from University of Minnesota President Robert Bruininks urging the immediate renegotiation of the Wisconsin/Minnesota reciprocity agreement so that Wisconsin residents would eventually pay the Minnesota resident tuition rate at the University of Minnesota. Expressing concern about the growing gap between the University's resident rate and the Wisconsin reciprocity rate, President Bruininks requested that the rate charged to Wisconsin residents be increased to the Minnesota resident rate over the course of four academic years, beginning with the 2005-2006 academic year.

The University of Minnesota also requested the removal of professional programs from reciprocity agreements with all of our neighboring states effective for the 2006-2007 academic year, citing the increasing instructional costs for these programs and the University's ability to attract students at the higher non-resident rate for these programs. This request only involved the Doctor of Pharmacy program under the Wisconsin/Minnesota agreement, since the University did not request removal of the law program, and the other professional programs had already been excluded from the Wisconsin/Minnesota agreement.

In March 2004, the Minnesota Office of Higher Education (OHE) and the Wisconsin Higher Education Aids Board (WHEAB) held a conference call regarding the 2004-2005 annual administrative memorandum for the Wisconsin/Minnesota reciprocity agreement. WHEAB sought only a minor language change clarifying that resident and teaching assistants were covered by the reciprocity agreement and OHE agreed to this language. WHEAB also expressed an interest in charging Minnesota residents attending Wisconsin campuses the higher of the Minnesota or Wisconsin resident rate, since some of the campuses in Wisconsin had a resident rate exceeding the reciprocity rate. OHE did not agree to this change, preferring instead to discuss tuition rates within the context of agreement negotiations and the budget cycle for the next biennium.

During the summer of 2004, our agency generated various cost estimates for increasing the tuition rate charged to Wisconsin residents attending Minnesota campuses and met with the Minnesota Department of Finance. The Minnesota Department of Finance expressed concern about the impact that closing the tuition gap would have on the state budget, particularly because the state was emerging from a challenging budget situation. Our projections indicate a gradual yet significant reduction in Wisconsin's interstate payment to Minnesota if the change were implemented.

In November 2004, OHE and WHEAB had another conference call to discuss reciprocity negotiations. OHE proposed increasing the amount of tuition charged to Wisconsin residents attending the University of Minnesota and dropping the Doctor of Pharmacy program from the agreement. Both parties agreed to consider the changes and resume negotiations at a later date.

In March 2005, OHE and WHEAB held another conference call and discussed increasing the tuition rate charged to Wisconsin residents at the University of Minnesota. WHEAB did not want to begin the four year phase-in during the 2005-2006 academic year, since students had already made attendance decisions for that year. WHEAB again proposed to move to the higher of the two states' resident rates at all campuses in both states, but OHE wanted to address tuition changes within the context of agreement negotiations for the 2006-2007 academic year. WHEAB did not support the University of Minnesota's request to remove the Doctor of Pharmacy program from the Wisconsin/Minnesota agreement because the University of Wisconsin-Madison's Doctor of Pharmacy program could not accommodate the 57 Wisconsin residents who were enrolled in the Doctor of Pharmacy program at the University of Minnesota. The University of Minnesota later withdrew this request to remove the program from the agreement.

In October 2005, OHE and WHEAB held another conference call. Both states discussed moving to the higher of the two states' rates for Wisconsin residents enrolled in undergraduate programs at Minnesota campuses. OHE presented cost estimates for moving the reciprocity rate charged to Wisconsin residents up to the Minnesota resident rate over the course of four years, resulting in reduced payment obligations from Wisconsin to Minnesota and a projected payment from Minnesota to Wisconsin during Fiscal Year 2011. After this conference call, OHE staff continued to generate payment simulations and discussed the fiscal ramifications with the Department of Finance.

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In November 2005, WHEAB and OHE discussed equalizing the reciprocity rates and decided not to initiate the phase-in for the 2006-2007 academic year. Both parties agreed to continue negotiations in hopes of reaching some agreement for the 2007-2008 academic year. During our meetings in July and October 2006, we continued our discussion on these issues.

Minnesota institutions, families, students and the state are in support of moving to the higher of the two tuition rates within Minnesota's reciprocity agreement with Wisconsin for all new entering students in the fall of 2007. In order to minimize disruption and ease communication with students and families enrolling in fall 2007, we hope to finalize the negotiations on this issue as soon as possible.

Wisconsin is a valuable partner to our state in so many ways, and it is in our mutual best interest to preserve and strengthen our tuition reciprocity agreement to continue to provide all our students with expanded enrollment opportunities within the region.

I will be contacting you soon to schedule another conference call or meeting between OHE and WHEAB. Thank you for your continued attention on this matter.

Sincerely,

A handwritten signature in black ink that reads "Susan Heegaard". The signature is written in a cursive, flowing style.

Susan Heegaard
Director

SH:kb
Enc: Minnesota/Wisconsin Reciprocity Projections