

**HIGHER EDUCATION AIDS BOARD
BOARD REPORT #05-04
2005 – 2007 BIENNIAL BUDGET ISSUES**

Present Board Policies

In 1968, a rational policy framework for Wisconsin's Student Financial Aid Structure was established, and the agency continues to operate under this framework. There are two major goals, Universal Educational Opportunity and Educational Diversity, and the financial aid structure is set up to facilitate achievement of these goals. Additionally, there are seven operational policies that serve to implement the broader goals.

The first goal, Universal Educational Opportunity, aims to eliminate financial barriers to ensure that all Wisconsin citizens have access to a higher education commensurate with their desires and abilities. The second goal is intended to support Educational Diversity by allowing students the freedom to choose which institution of higher learning they will attend. In short, the money follows the student.

In order to implement these goals, the following operational policies, published in the HEAB Policies and Procedures Manual, were established:

1. Financial aid be distributed on the basis of the student's financial need in order to maximize financial resources and thereby insure an educational opportunity to the greatest number of students.
2. Equalization supports diversity and insures freedom of choice by placing all students in the same relative position in relation to governmental instructional subsidies.
3. Awarding for excellence requires that academic excellence be recognized.
4. Shared responsibility recognizes the multiple responsibilities of the student, the student's parent(s) or spouse, government, and private sources to contribute to educational costs.
5. Recognizing the unique financial needs of the disadvantaged suggests that it is a responsibility of the financial aid structure to recognize and relate to the unique financial needs of the economically disadvantaged.
6. Maximization of resources emphasizes the need to maximize the contribution of financial aid resources provided by all sources including students, spouses, parents, government, institutions, and private sponsors.
7. Administrative coordination and simplicity recognizes the importance of providing a coordinated, equitable, efficient, and responsive administrative framework designed to implement the other policies enumerated above. Meeting this policy goal and, in addition, fulfilling the legislative mandate of providing an annual review of the State's Financial Aid Structure, suggests that a single governmental body should be responsible for the administrative coordination of the State's financial aid programs.

Budget Issues – Board Priorities

The biennial budget instructions indicate that opportunities for additional program funds are limited. However, Governor Doyle has indicated that education is a top priority. Keeping in mind HEAB's mission statement and goals, and given the importance of the HEAB programs and the current state budget situation, it is important that the Higher Educational Aids Board establish clear priorities about where additional funds would be most effective.

As in past years when the state budget was tight, we plan to submit two requests. The first will follow the strict budget instructions provided to the agencies. The secondary request will be a true reflection of the Board's priorities, keeping an optimistic view toward a healthy revenue picture when figures are compiled in November.

In preparation for the Board's discussion of the biennial budget request, HEAB staff has met with representatives of WTCS, the Independent Colleges and Universities, the Tribal Colleges, UW System, Marquette University School of Dentistry, staff from United Council of UW Students, and individuals interested in the Academic Excellence Scholarship. Specific recommendations made by these groups or individuals are noted in the narrative. Connie Hutchison's recommendations are based on these discussions and data collected by HEAB staff.

I. How should funding requests for HEAB's most comprehensive Grant Programs: WHEG-UW, WHEG-WTCS, WHEG-Tribal, and TG (Tuition Grant), be structured and funded? The only requirement for eligibility is need, determined by information provided on the FAFSA.

WHEG-UW :

Background: There are three issues to consider in the current WHEG-UW Appropriation

- 1) Appropriation tied to Tuition: In 2003, State statutes were changed tying WHEG-UW increases to tuition increases. This link was supported by HEAB in August, 2002 .
- 2) Program Revenue (Auxiliary Enterprises): In the 03-05 Biennial Budget, UW Systems lost \$250 million in GPR funding causing the Regents to authorize record high tuition increases. To help offset this increase in tuition, WHEG-UW funding increased from \$21,839,600 (02-03) by 24.54% to \$27,199,600 (03-04) and by 28.53% to \$34,959,600 (04-05). However, \$6,453,700 of the 03-04 appropriation and \$15,032,800 of the 04-05 appropriation were Program Revenue funds that actually came from UW auxiliary enterprises funds.
- 3) Appropriation Type: When the WHEG-UW appropriation was tied to tuition increases, the appropriation type changed from a Biennial to an Annual appropriation. Funds cannot be carried forward at the end of the biennium.

Recommendations: Executive Secretary Hutchison recommends that HEAB pursue replacement of PR funds with GPR funds. UW System is also requesting the same. It is also recommended that statutory changes that would allow carry-back and carry-forward of funds within the biennium, and carry-forward of unexpended funds from one biennium to the next, be sought.

Possible Actions:

- 1) Should HEAB pursue replacing PR with GPR funds?
- 2) What type of appropriation for WHEG–UW allows for the most effective use of the funds?
- 3) Other?

WHEG - WTCS

Background: There are three issues to consider in the current WHEG–WTCS Appropriation:

- 1) Increasing the Appropriation: There has been no increase in the appropriation since 2002-03. In the past two years, new awards have been suspended and existing awards have been frozen very early, October 18, 2002 in 02-03, and September 4, 2003 in 03-04. While the number of students who qualify for aid has increased each year, financial aid funding has not kept pace with that need.
- 2) Tying Appropriation to Tuition increases: WTCS asks that statutory language be changed to mirror UW language, tying the appropriation to WTCS's tuition. If this were accomplished the WHEG-WTCS appropriation would increase 8.6% in FY 05-06 and 17.9% in FY 06-07, or \$3,947,600 over the biennium.
- 3) Appropriation Type: WHEG–WTCS is a biennial appropriation allowing funds to be carried back and forward in the middle of the biennium. Funds cannot be carried from the end of the biennium to the next.

Recommendations: Executive Secretary Hutchison recommends, after conferring with WTCS and HEAB staff, that we pursue an increased appropriation and a statutory language change tying the appropriation to tuition. It is also recommended that statutory changes that would allow carry-back and carry-forward of funds within the biennium, and carry-forward of unexpended funds from one biennium to the next, be sought.

Possible Actions:

- 1) What funding request should be made for WHEG-WTCS? Should the request include a statutory change tying WHEG-WTCS funding to tuition?
- 2) What type of appropriation for WHEG–WTCS allows for the most effective use of the funds?
- 3) Other?

WHEG Tribal

Background: There are two issues to consider.

- 1) Increasing the Appropriation: WHEG Tribal was last increased in 2002-03, and then by only 1%: from \$400,000 to \$404,000. In the past two years, new awards have been suspended and existing awards have been frozen very early, August 7, 2002 for 02-03, and September 9, 2004 for 03-04. While the number of students who qualify for aid has increased each year, financial aid funding has not kept pace with that need. Administrators of both Tribal Colleges indicated that WHEG assists only about 50% of eligible students. Funds for the appropriation are not GPR funds, but rather from Gaming Revenues remitted to the state.
- 2) Appropriation Type: WHEG-Tribal is a biennial appropriation allowing funds to be carried back and forward in the middle of the biennium. Funds cannot be carried from the end of the biennium to the next.

Recommendation: Executive Secretary Hutchison recommends, after conferring with the Tribal College Administrators and HEAB staff, that we pursue an increased appropriation from \$404,000 to \$808,000 for Tribal WHEG. It is also recommended that statutory changes that would allow carry-back and carry-forward of funds within the biennium, and carry-forward of unexpended funds from one biennium to the next, be sought.

Possible Actions:

- 1) What funding request should be made for WHEG-Tribal?
- 2) What type of appropriation for WHEG-WTCS allows for the most effective use of the funds
- 3) Other?

Tuition Grant (TG)

Background: There are three issues to consider in the current TG Appropriation:

- 1) Increasing the Appropriation: There has been no increase in the appropriation since the budget repair bill of July 2002. Last year, new awards were suspended and existing awards frozen very early on August 27, 2003 for 03-04. While the number of students who qualify for aid has increased each year, financial aid funding has not kept pace with that need. WAICU asked that we consider seeking a percentage increase equal to that of UW's or WTCS's WHEG funding.
- 2) Tying Appropriation to Tuition increases: WAICU asks that statutory language be changed to mirror UW language, tying the TG appropriation to UW's tuition. Currently the TG formula uses UW tuition as one of the factors in determining award amounts, so a link between TG and UW tuition already exists.
- 3) Appropriation Type (Please see appropriation definitions at the end of this document.) TG is a biennial appropriation allowing funds to be carried back and forward in the

middle of the biennium. Funds cannot be carried from the end of the biennium to the next.

Recommendations: After consultation with representatives from WAICU and HEAB staff, Executive Secretary Hutchison recommends that HEAB pursue a link between TG funding and UW tuition. It is also recommended that statutory changes that would allow carry-back and carry-forward of funds within the biennium, and carry-forward of unexpended funds from one biennium to the next, be sought.

Possible Actions:

- 1) What funding request should be made for TG? Should the request include a statutory change tying TG funding to UW tuition?
- 2) What type of appropriation for TG allows for the most effective use of the funds?
- 3) Other?

II. Minority Retention Grant

Background: The Minority Undergraduate Retention Grant is available to the Tech Colleges, the Tribal Colleges, and the Private and Independent Non-Profit Colleges and Universities. A similar program, the Lawton Grant, is run by and for the UW System schools. The grant is available to minority students enrolled at least halftime, and at least in their second year of school. This grant has not been increased since 2002. Representatives of WTCS asked that HEAB pursue an increase of 14.5% for 05-06 and 30% for 06-07.

Recommendation: After consultation with WTCS and HEAB staff, Executive Secretary Hutchison recommends that HEAB pursue an increase in funding for MRG.

Actions:

- 1) What level of funding does the board want to pursue?
- 2) Other?

III. Academic Excellence Scholarship

Background: One issue concerning the AES has surfaced several times this year. For schools with enrollments over 80, alternate selection is inconsistent between schools with weighted grading systems and those with non-weighted grading systems. In order to be an alternate for the AES in a non-weighted grade school, the student must have exactly the same grade point as the recipient who refused the award. A student with a 3.987 grade point cannot receive the scholarship as an alternate for the student who had a 3.988 grade point but was unable to use the scholarship. In a school with a weighted grading system, the alternate is the one with the same, or next highest grade point.

Possible Actions:

- 1) Should HEAB pursue a change in statutory language that would change the alternate selection criteria for non-weighted grade high school? If so, should a minimum grade point average be established?

2) Other?

IV. Marquette University School of Dentistry: Dental Capitation Program

Background: Wisconsin's only School of Dentistry is at Marquette University, and 77% of all Wisconsin dentists were trained here. Realizing that Wisconsin residents who train at our state's School of Dentistry are most likely to remain and practice in Wisconsin, the state has provided tuition incentives for this program. However, this is a limited partnership. There are two limitations in state statutes regarding dentistry students who are Wisconsin residents: 1) There are 80 spots available for each new class. Wisconsin residents can fill only 40 of those. 2) Students from Wisconsin cannot be charged an out-of-state tuition (the difference between the tuition subsidy and the actual cost to train students).

In summary, 40 Wisconsin residents may enter each new class but only if there are enough subsidies provided in the appropriation for Dental Capitation. The appropriation provides subsidies for only 25 students to enter in fall, 2005. There are about 170 Wisconsin applicants, and while less than 100 of those will qualify under the rigorous admission standards, the admissions staff are confident that more than 40 will be qualified. Under current statutes and appropriations, only 25 will be admitted.

Given the current state budget situation, administrators from the Marquette School of Dentistry are asking only to be made whole: that the appropriation cover subsidies for 40 rather than 25 Wisconsin students per class.

Recommendation: After discussions with representatives of Marquette University School of Dentistry, and with HEAB staff, Executive Secretary Hutchison recommends that we pursue an increase in the appropriation, essentially making it whole.

Possible Actions:

- 1) What, if any, appropriation increase should HEAB request?
- 2) Other?

V. Other HEAB Administered Programs

Background: In addition to the grant and scholarship programs listed above, HEAB currently administers the following grants and loans: Handicapped Grant; Indian Grant; Minority Teacher Loan; Nursing Student Loan; and the Teachers of the Visually Impaired Loan, Talent Incentive Program.

Possible Actions:

Should the HEAB board pursue statutory changes or appropriation changes for any or all of these additional grants and loans?

Appropriation History for HEAB Administered Grants and Loans

August 2004

	<i>1999-2000</i>	<i>2000-2001</i>	<i>2001-2002</i>	<i>2002-2003</i>	<i>2003-2004</i>	<i>2004-2005</i>
WHEG – UW *	\$18,900,300	\$18,900,300	\$19,750,800	\$22,103,700	\$27,199,600	\$34,959,600
WHEG – Tech	\$12,454,600	\$13,201,900	\$13,631,000	\$14,874,000	\$14,874,000	\$14,874,000
WHEG – Tribal	\$400,000	\$400,000	\$400,000	\$404,000	\$404,000	\$404,000
TG	\$19,662,200	\$21,038,600	\$21,564,600	\$22,103,700	\$22,103,700	\$22,103,700
MRG – Tech	\$346,550	\$346,550	\$362,150	\$378,450	\$378,450	\$378,450
MRG – Independent	\$346,550	\$346,550	\$362,150	\$378,450	\$378,450	\$378,450
TIP	\$4,209,200	\$4,503,800	\$4,503,800	\$4,503,800	\$4,503,800	\$4,503,800
AES	\$2,900,000	\$2,900,000	\$2,917,000	\$3,133,000	\$3,133,000	\$3,133,000
Handicapped	\$123,800	\$123,800	\$123,800	\$123,800	\$123,800	\$123,800
Indian Grant	\$779,800	\$779,800	\$779,800	\$787,600	\$787,600	\$787,600
Minority Teacher Loan	\$240,000	\$240,000	\$250,800	\$262,100	\$262,100	\$262,100
Nursing Student Loan				\$450,000	\$450,000	\$450,000
Teacher Education Loan	\$250,000	\$250,000	\$250,000	\$275,000	\$275,000	\$275,000
TVI Loan		\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
TOTAL	\$60,613,000	\$63,131,300	\$64,995,900	\$69,877,600	\$74,973,500	\$82,733,500
* WHEG - UW funding	2003-04	2004-05				
GPR funds	\$20,745,900	\$19,926,800				
UW auxiliary PR funds	\$6,453,700	\$15,032,800				
	\$27,199,600	\$34,959,600				