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July 17, 2012

To: John Reinemann, Executive Secretary
Wisconsin Higher Education Aids Board (HEAB)

From: Freda Harris, Associate Vice President for Budget and Planning
Jessica Tormey, Special Assistant, Communications and External Relations

Re: July 24th Meeting of the 2012 Commission on Financial Aid Consolidation and
Modernization

At the July 24, 2012 meeting, the 2012 Commission on Financial Aid Consolidation and Modernization will consider funding issues, which includes the following three topics:

- Funding levels for Wisconsin Tuition Grant (WTG) and Wisconsin Higher Education Grant (WHEG) (#2 on the list of “Topics for Consideration” that were discussed during the Commission’s June 27th meeting);
- Statutory link for funding levels (Topic #3); and,
- Grant options for part-time students (Topic #5).

As background information in advance of this meeting, we offer the following data and discussion points on these three topics:

Topic #2: Funding Levels for WTG and WHEG

The UW System is supportive of the proposal to use a single, common name for the primary need-based financial aid programs (currently WHEG and WTG), while retaining separate appropriations for each program. The UW System notes the following regarding the importance of retaining separate appropriations for each program:

- All HEAB financial aid programs are underfunded, and this is especially true for the WHEG and WTG programs. For 2010-11, there were an estimated 8,500 students in the UW System who were eligible to receive a WHEG award (WHEG-UW), but were unable to receive grants due to insufficient funding. The 2010-11 funding shortfall for WHEG-UW totaled \$18.9 million.
- Each institutional sector serves a different student population and fills a valuable role in meeting Wisconsin’s higher education needs. While a single, common name may help to reduce confusion about HEAB’s complement of programs, combination into a single financial aid program will prevent the sectors from designing allocation formulas that respond to and address the unique financial situations and needs of their students.
- In analyzing the funding levels of WTG and WHEG programs, it is important to note that the different sectors have different funding sources and state oversight. Unlike other

sectors, which have autonomy over tuition levels and, in the case of the Wisconsin Technical Colleges, taxing authority, the UW System does not have authority over its funding/revenue streams. The UW System is funded by a combination of GPR and Tuition for instructional activities, which are subject to oversight by the Governor and the Legislature. Therefore, UW is limited in the ability to generate institutional financial aid.

- Any change in the funding levels for state-funded financial aid programs needs to consider the history that has led to the current funding levels. The funding level for WHEG-UW is a result of a history which includes state decisions to increase tuition and financial aid in past years to offset significant GPR cuts. In 2003-05, the Governor and the Legislature decreased GPR support to the UW System by \$250 million. In order to offset this decrease in GPR funding, tuition was increased by 18% and 15%, respectively, during each year of that biennium, while funding for the WHEG-UW program was increased by 31.8% and 28.5% respectively, as a way to help mitigate the effect of the tuition increase for those students with the most financial need. In addition, during three of the past ten fiscal years (03-04, 04-05 and 09-10), UW has been required to fund a portion of the WHEG-UW budget through a mandated transfer from UW institutional auxiliary budgets.

Topic #3: Statutory Link for Funding Levels

The UW System is supportive of the proposal to provide a statutory increase for each of the primary need-based financial aid programs (WHEG and WTG programs), while still retaining separate appropriations for each program. This proposal was discussed and approved by the 2010 Special Committee on Review of Higher Education Financial Aid Programs, and was introduced as 2011 Assembly Bill 143.

Topic #5: Grant Options for Part-Time Students

The UW System supports changes that provide the individual sectors with the discretion and ability to prorate grants to part-time students, but does not support expanding WHEG-UW grants to students taking less than half-time credit loads without additional funding. The UW System notes the following on this topic:

- The UW System requests a change in statutory language that limits the number of semesters that WHEG can be awarded to eligible students, in order to allow pro-rated awards to be counted as less than a full semester toward the lifetime eligibility limit. Under this approach, the statutory limit on the number of semesters that each student may receive a WHEG award would remain unchanged, but students who receive a less-than-full-time (pro-rated) award would only be assessed a proportional semester of usage against the cap. This would also be consistent with the federal Pell Grant, which prorates awards for part-time students. This approach will allow UW System to better serve part-time students by awarding pro-rated awards over more semesters; however, total awards would still be equal to those received by full-time students over an academic career. In addition, the ability to make pro-rated awards will allow WHEG-UW to serve more students.
- As noted above, an estimated 8,500 students were eligible for a WHEG-UW in 2010-11, but were unable to receive grants due to insufficient funding totaling \$18.9 million. Therefore, at this time the UW System does not support expanding the WHEG-UW program to include students taking less than half-time credit loads. Expanding the program to these students would not only increase the waiting list of eligible students who do not receive an award, but would also take funds away from students carrying full-

time or at least half-time credit loads. These students are also more likely to graduate than students who take less than half-time credit loads.

- The number of students eligible for WHEG at UW institutions who take less than half-time credit loads is a relatively small share of the total students taking less than six credits. Only 9% of UW students enrolled for less than half-time credit loads would be eligible for WHEG. In contrast, 33% of students with half-time or more credit loads are eligible for WHEG. Many of these students who take less than half-time credit loads are working adults who either receive support from their employers or as working adults have incomes too high to receive a WHEG award.

Thank you for the opportunity to comment on these important issues regarding Wisconsin's financial aid programs and impact on University of Wisconsin students. If you have any questions on this memo, please don't hesitate to contact either of us.

c: Kevin P. Reilly, President
Cabinet
Bob Jokisch, Special Assistant
Kris Frederick, Special Assistant
Kevin Welch, Senior Institutional Planner