

ACTION
AUGUST 26, 2022

HIGHER EDUCATIONAL AIDS BOARD
BOARD REPORT #23-04
2023-25 BIENNIAL BUDGET ISSUES
WISCONSIN TECHNICAL COLLEGE SYSTEM



HEAB: WTCS Wisconsin Grants

2023-25 Biennial Budget Initiative

Issue: Wisconsin Grants - Technical Colleges

On December 27, 2020, congress passed, and the president signed, the FAFSA (Free Application for Federal Student Aid) Simplification Act of 2020 (FSA), which was a bipartisan measure that made several changes to the Higher Education Act of 1965 (HEA). Some of the changes that occurred have a direct impact on how Wisconsin administers the state's financial aid programs, not only for the Wisconsin Technical College System (WTCS), but for all higher education sectors in the state. The two significant changes that took place are changes to the methodology for calculating a student's need, and removal of the selective service requirement. WTCS, in partnership with the Higher Education Aids Board (HEAB) and other higher education partners, have examined the changes and developed solutions so that students in the state of Wisconsin will continue to benefit from these aid programs.

Background

The HEA authorizes numerous financial aid programs including the Federal Pell Grant which provides the majority of WTCS the federal assistance needed to obtain a credential so they may enter the workforce. While the program provides half of the total number of WTCS program students with financial assistance they need to pursue their program, in 2020-21, students still had an average unmet financial need of \$8,103 per academic year. This is why the state's supplemental financial aid program, Wisconsin Grants (WG), is so critical for WTCS students to complete their credential and assist in avoiding further debt.

The U.S. Department of Education has utilized the Expected Family Contribution (EFC) as the methodology for calculating a student's educational financial need for decades. This methodology had long been criticized for not being an accurate predictor for low-income students and for having an overly burdensome process. The FSA amends the methodology from the EFC to the Student Aid Index (SAI), which has fewer factors and questions and will import information from the federal income tax return.

While the shift from EFC to SAI is a win for students, the state currently utilizes the EFC to calculate financial aid awards for WG and other financial aid programs administered by HEAB and is also utilized by WTCS and University of Wisconsin System (UWS) institutions when calculating awards for emergency grants. The state will need to amend state statutes, including chapter 38, where it references "Expected Family Contribution" and "EFC" to "Student Aid Index" or "SAI".

An SAI modeling tool was developed so higher education institutions would be able to project how the methodology shift would impact their student's awards when the new formula becomes effective in Academic Year (AY) 2024-25. Utilizing the modeling tool, it was

determined the WG appropriation would need to be increased by 19% in order to fund the cost of the new formula.

The FSA also made amendments to the award regulations for the Pell Grant program for students who are enrolled less than full-time. Pell Grant awards for students who are enrolled less than full-time will be reduced in proportion to their actual enrollment rate, instead of a tiered enrollment rate. For WTCS students, this is very important since the majority of program students (76%) are less than full-time. Currently, under Wisconsin Statutes, WG may only be awarded to students who are enrolled at least half-time, which would account for 60% of all WTCS students. Since many WTCS program students are enrolled less than half-time (40%) in an academic year, these students are not eligible to receive a grant. State statutes should be amended to allow students who are enrolled at least quarter-time to receive a grant, which would provide thousands of students with financial assistance, if they meet other eligibility requirements.

Over the last two years, all WTCS districts have now received approval to offer Associate of Arts (AA) and Associate of Science (AS) degrees. This is in response to student and legislative demand to increase transfer opportunities from WTCS to UWS and Wisconsin Association of Independent Colleges and Universities (WAICU) institutions. As mentioned, the majority of WTCS students are enrolled less than half-time due mostly to the diverse population of adult learners. Under HEAB policy, students may only receive grants up to 10 semesters with no consideration of their rate of enrollment. According to UWS and WAICU partners, students who transfer from WTCS often lose their WG eligibility while pursuing their bachelor's degree since they were enrolled less than full-time while they attended a technical college. Student eligibility should be based on their rate of enrollment, which would be consistent with the federal Pell Grant.

Removal of the selective service verification was another policy change under the bipartisan FSA measure. Under Chapter 39 of Wisconsin Statutes, HEAB is prohibited from providing state financial assistance to students who do not register with the federal selective service. Now that the federal government will no longer verify this information on behalf of the states, it will become a financial and administrative burden on HEAB and all Wisconsin higher education institutions. All Wisconsin higher education sectors have conferred that the state selective service requirement should be removed in alignment with the federal policy change.

As mentioned earlier, half of the total number of WTCS students enrolled in a program receive need-based financial aid. The average WG award of \$865 in 2020-21 only accounts for 5.4% of the total cost of attendance, which was \$16,116, and the average Pell Grant award in 2020-21 was \$3,180. When combining the two largest need-based financial assistance programs, students still have to make up the difference of \$12,071, which is one of the many reasons students in the United States have accumulated \$1.75 trillion in student loan debt.

Request:

- a) An increase of \$4.4 million GPR in fiscal year 2024-25 to accommodate the federal methodology shift from EFC to SAI.**

- b) Amend WI State Statutes and Administrative Code to allow students enrolled less than half-time to receive a Wisconsin Grant.**

- c) Revise the lifetime student eligibility cap to be consistent with the Federal Pell Grant Program, which would be based on the student's rate of enrollment. Under this change, the Higher Education Aids Board would award a grant to the same student for up to the equivalent of 12 full-time semesters or terms. With respect to a student who received a Wisconsin Grant for a semester or term but was enrolled at a fraction of full-time, that only a fraction of such semester or equivalent shall count towards such duration limits.**