



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #1275

Eliminate the Technical and Occupational Program Grants for Students and Create an Educational Assistance Program for Dislocated Workers (WTCS)

[LFB Summary of the Governor's Budget Reform Bill: Page 106, #2 and Page 107, #3]

CURRENT LAW

The technical and occupational program (TOP) grant was established in 1999 Act 9 to provide \$500 annual tuition grants to recent high school graduates attending a technical college district. To be eligible for a TOP grant, a student must be enrolled in an associate degree or vocational diploma program as a first-year student and on a full-time basis. In addition, a student must enroll in a technical college within three years of graduating from a Wisconsin high school and maintain a 2.0 GPA while in technical college. Students who meet these requirements are entitled to a \$500 annual grant to defray a portion of the costs of tuition and fees. Under 2001 Act 16, the TOP grant program was reduced from a two-year grant to a one-year grant starting in 2002-03.

Under 2001 Act 16, \$6,600,000 GPR is provided in a sum certain appropriation for TOP grants in 2001-02 and \$4,200,000 GPR in 2002-03.

GOVERNOR

Eliminate the technical and occupational program grants to students with \$4,200,000 GPR in 2002-03, effective July 1, 2002.

Provide \$4,200,000 GPR in 2002-03 in a new, annual appropriation for the WTCS Board to provide educational assistance for dislocated workers. Beginning in the 2002-03 school year, require the WTCS Board to pay a student's tuition and fees at a technical college district from funding provided in the new appropriation if the student satisfies all of the following criteria: (a) the student is a dislocated worker who has been referred to the district by a local work force development board; (b) the worker is enrolled in an associate degree program or a vocational

diploma program; and (c) the student maintains a grade point average of at least 2.0. If the amount appropriated in any fiscal year is insufficient to pay the tuition and fees of all eligible students, the Board would make payments in the order in which they were received. Require the WTCS Board to promulgate rules to implement and administer this program.

DISCUSSION POINTS

TOP Grants

1. Technical and occupational program grants were implemented by WTCS and first became available to students in 2000-01. Approximately 11,700 grants were awarded during the 2000-01 academic year. At \$250 per semester grant, approximately \$2,925,000 in TOP grants were awarded to first-year students in 2000-01. Act 16 provides \$6.6 million in 2001-02 and \$4.2 million in 2002-03 to fund TOP grants for 13,200 students in 2001-02 and 8,400 students in 2002-03 based on estimates made during deliberations on Act 16. Based on current data, it is estimated that approximately 18,400 grants will be awarded in 2001-02 for approximately 9,200 students. Under Act 16, eligibility for the program was reduced from four semesters to two semesters effective July, 2002; as a result, fewer students will be eligible for the program in 2002-03.

2. The Governor's budget reform bill would eliminate TOP grants effective July, 2002, and replace them with an educational assistance program for dislocated workers. It could be argued that TOP grants are open to criticism because they only provide funding for full-time, recent high school graduates regardless of financial need. Most technical college students are part-time, nontraditional students; TOP grants do not benefit this population of students nor does the program accommodate recently displaced workers seeking retraining.

3. While eliminating the TOP grant program may make WTCS less affordable for recent high school graduates, other financial aid programs may help mitigate the loss of the grant. Currently, the largest portion of state aid available to all technical college students is the need-based Wisconsin higher education grants (WHEG) administered by the Higher Educational Aids Board (HEAB). In 2000-01, 18,892 WTCS students or approximately 34.3% of resident undergraduate technical college students enrolled at least half-time received WHEG grants; the average grant was \$739. WHEG funding for technical college students was increased in 2001 Act 16 by 3.25% annually, from \$13,201,900 in 2000-01 to \$13,631,000 in 2001-02 and \$14,074,000 in 2002-03. The Governor's budget reform bill includes a provision to increase WHEG funding for technical college students by an additional \$800,000 in 2002-03. Additional funding for the WHEG program would increase the average grant award for students with financial need and for a broader student population than the TOP grants.

4. One of the original goals of the TOP grant program was to enhance the technical colleges' appeal to recent high school graduates and encourage these students to attend full-time. Historically, technical colleges have attracted students several years after graduation with most attending part-time. The TOP grant program's success in attracting and retaining students for the

technical college districts is not yet known since the program has only been in existence since 2000-01. According to WTCS, in its first year the program was not heavily promoted early in the recruitment process due to delays in passage of the 1999-01 budget, and uncertainty regarding the program's future during the 2001-03 budget discussion has further hindered the recruitment potential of the program. As with prior years, the timing of the Governor's proposal to eliminate the program may affect enrollment decisions for those students anticipating using a TOP grant award to offset a portion of their tuition and fees in 2002-03.

Educational Assistance for Displaced Students

5. The Governor's proposal would provide \$4,200,000 GPR in 2002-03 in a new, annual appropriation for the WTCS Board to provide educational assistance for dislocated workers. Working with local workforce development boards, the technical colleges would provide funding for eligible dislocated worker's tuition through funds allocated by the WTCS Board.

6. The Governor's proposal would supplement existing federally-funded displaced worker training programs. The federal government supports occupational skills retraining programs through the Workforce Investment Act (WIA) and Trade Adjustment Assistance (TAA) program. However, not all workers are eligible for the TAA retraining grants and demand for WIA funded retraining grants exceeds federal funding for the program.

7. The Governor's proposal would support approximately 2,000 FTE tuition grants per academic year. According to DOA staff, no reliable estimate of potential program participation is available, and the amount of funding for the program was simply set at the level of funding provided for TOP grants in 2002-03. If demand for educational assistance for dislocated workers were to exceed funding, eligible workers would need to be placed on waiting lists or additional funding would need to be provided by the Legislature. In the absence of additional funding, displaced workers on waiting lists would need to wait for current participants to complete their program of studies since the Governor's proposal does not contain a time limit for participants.

8. Given the availability of existing federal retraining programs, in addition to federal and state funded need-based financial aid programs, the Legislature could modify the Governor's proposal to create a one-semester limit per participant. Local workforce development board case workers and technical college financial aid officers could work with the displaced worker to identify and apply for existing federal tuition assistance programs and financial aid in order to offset the dislocated worker's tuition costs for subsequent semesters. However, there is no certainty that financial aid and other federal funds would be available or sufficient to cover tuition costs for subsequent semesters for all eligible participants.

9. Some concerns can be raised related to implementing the proposed program. For example, there is no provision specifying how a district would get a tuition refund if a student does not maintain a 2.0 grade point or drops out mid-semester. According to executive budget staff, issues related to the implementation and management of the program would be addressed through the rule-making process. The Governor's proposal includes a provision for the WTCS Board to

promulgate rules for the displaced worker program. As such, the responsibilities for program administration, referrals and other rules would need to be developed by the workforce development boards, the WTCS Board and the technical college districts. Given the timing of the proposal and that the proposed program would need to be in place by fall 2002, it may be desirable to modify the Governor's proposal to allow the Board to use emergency rule making authority to implement the program, without providing evidence of public health, safety or welfare concerns.

10. Currently, tuition at technical colleges recover 14.5% of operational costs for postsecondary/vocation adult courses. Despite state funding for the displaced worker tuition proposed by the Governor, districts could be responsible for funding approximately 85% of the cost per student. Opponents of this proposal argue that since the Governor's budget reform bill would reduce funding for general aid and existing state incentive grants while restricting the ability of districts to increase the operational property tax levy beyond the rate of inflation, the displaced worker program would further burden the districts' financial resources and that the funding allocated for the program may be better utilized elsewhere.

11. Finally, it could be argued that creating a new GPR-funded program at a time when the state faces a \$1.1 billion deficit would not be a desirable allocation of state resources, since existing state and federal programs are available to assist dislocated workers in retraining.

ALTERNATIVES TO BILL

A. TOP Grant Program

1. Approve the Governor's recommendation to eliminate the TOP grant program with \$4,200,000 in 2002-03.
2. Maintain current law.

Alternative A2	GPR
2001-03 FUNDING	\$4,200,000

B. Educational Assistance for Dislocated Workers

1. Approve the Governor's recommendation to provide \$4,200,000 in 2002-03 for educational assistance for dislocated workers in the form of state payment of tuition.
2. Modify Alternative 1 to also allow the WTCS Board to promulgate emergency rules in order to implement the educational assistance program for dislocated workers, without having to provide evidence of the necessity of preservation of the public peace, health, safety or welfare.
3. Modify Alternative 1 to also limit the WTCS Board's payment of an eligible student's tuition and fees at a technical college district to one semester.

4. Maintain current law.

Alternative B4	GPR
2001-03 FUNDING	- \$4,200,000

Prepared by: John Stott