



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #461

### **WHEG Sum Sufficient and Maximum Grant Links (HEAB)**

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 350, #3]

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#### **CURRENT LAW**

The Wisconsin higher education grant (WHEG) program provides need-based grants to resident undergraduate students enrolled at least half-time at UW System institutions, technical colleges, and tribal colleges located in the state. Funding for WHEG awards is provided in three separate appropriations within the Higher Educational Aids Board (HEAB): a GPR appropriation for UW students, a GPR appropriation for technical college students (TCS), and a PR appropriation for tribal college students. The WHEG-UW appropriation is a sum sufficient appropriation that is linked to the average increase in resident undergraduate tuition in the UW System. Both WHEG-TCS and WHEG-tribal colleges are sum certain appropriations. Under 2005 Act 367, the maximum WHEG award was increased from \$2,500 to \$3,000.

#### **GOVERNOR**

Modify the statutorily set maximum value of a WHEG award such that it is 50% of resident undergraduate tuition charged by UW-Madison in the previous academic year beginning in the 2007-08 academic year.

#### **DISCUSSION POINTS**

1. In 2005-06, the WHEG programs provided grants totaling approximately \$57.2 million to 48,861 resident undergraduate students. In that year, 24,345 UW System students received WHEG grants averaging \$1,684; 24,211 Wisconsin technical college system (WTCS)

students received WHEG grants averaging \$652; and 305 tribal college students received grants averaging \$1,324. Total expenditures were \$41.0 million for WHEG-UW, \$15.8 million for WHEG-TCS, and \$0.4 million for WHEG-tribal colleges.

2. Under current law, the WHEG-UW appropriation is a sum sufficient appropriation that is linked to the average increase in resident undergraduate tuition in the UW System. When the link was first established, increases in the WHEG-UW appropriation were tied to the highest increase in resident undergraduate tuition in the UW System. A provision of 2005 Act 25 modified this link such that the WHEG-UW appropriation is currently linked to the average increase in resident undergraduate tuition in the UW System.

3. The link between the WHEG-UW appropriation and the percentage increase in resident undergraduate tuition has been suspended in each biennium since it was established. Under 2001 Act 109, the WHEG-UW appropriation was changed from a sum certain to a sum sufficient linked to the highest increase in resident undergraduate tuition in the UW System beginning in 2003-04. However, under 2003 Act 33 the link was suspended and GPR support for WHEG-UW was reduced during the 2003-05 biennium. In that biennium, a transfer of PR funding from the UW System's auxiliary enterprises appropriation was used to replace GPR and to fund increases in expenditures for WHEG-UW. During the 2005-07 budget process, the Legislature deleted the PR appropriation for WHEG-UW, replaced the PR funding with GPR funds, and increased total program funding by 6% in each year of the 2005-07 biennium on a sum certain basis. A partial veto of 2005 Act 25 provided an additional \$8 million in GPR funding for WHEG-UW in 2005-06. Under SB 40, the sum sufficient link would be suspended for a third time in the 2007-09 biennium. Because the sum sufficient link has not operated since it was established, the Committee could decide to delete this link from current law.

4. Proponents of the sum sufficient link to tuition increase for WHEG-UW argue that this mechanism provides automatic increases in need-based financial aid for these students. While the Legislature has, in practice, suspended the link to provide sum certain funding increases for the program, the link serves as a statutory guarantee that at least some additional funding will be available.

5. SB 40 would modify the statutorily set maximum value of a WHEG award such that it would be 50% of resident undergraduate tuition charged by UW-Madison in the previous academic year. This would affect all three of the WHEG programs, including WHEG-UW, WHEG-TCS, and WHEG-tribal colleges. This provision, along with the existing sum sufficient link between the WHEG-UW appropriation and the average increase in resident undergraduate tuition in the UW System, would provide that both the WHEG-UW appropriation and individual WHEG-UW awards would keep pace with tuition increases. The statutory maximum WHEG award is currently \$3,000; 2006-07 annual resident undergraduate tuition at UW-Madison is \$6,000.

6. By law, HEAB must award WHEG grants using a formula that considers student and parental expected contributions, consistent with generally accepted definitions and nationally approved needs analysis methodology. Each year, HEAB, in concert with the presidents of the UW

System, WTCS, and the two tribal colleges, determines the formula used to grant such awards. In practice, the maximum grant award for each program is determined by its formula. Although the maximum grant permitted by statute is \$3,000, the maximum grant in the 2007-08 academic year will be \$2,730 for UW System students, \$1,000 for WTCS students, and \$1,800 for tribal college students under the approved formulas. As the existing maximum WHEG grant does not currently limit any of the three WHEG programs, the Committee could chose to delete this provision.

7. Linking the maximum WHEG award to 50% of the tuition charged by UW-Madison in the prior year would allow WHEG award amounts to keep pace with tuition increases. However, this would only be effective if increases in the appropriations for the WHEG programs are commensurate with, or exceed, tuition increases. Under SB 40, an increase of 2.5% in 2007-08 would be provided for WHEG-TCS; this increase would not keep pace with the 2007-08 tuition increase of 5.8% announced by the WTCS Board in March, 2007. SB 40 includes no increase for the WHEG-tribal colleges program, which is funded by tribal gaming revenues.

## **ALTERNATIVES TO BILL**

### **A. Sum Sufficient Link for WHEG-UW Appropriation**

1. Modify current law to delete the sum sufficient link between the WHEG-UW appropriation and the average increase in resident undergraduate tuition in the UW System.
2. Maintain current law.

### **B. Statutory Maximum for WHEG Grant**

3. Approve the Governor's recommendation. This would set the maximum WHEG award in any academic year equal to 50% of resident undergraduate tuition at UW-Madison in the previous academic year.
4. Delete provision. The maximum WHEG award would continue to be \$3,000.

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