



Student Financial Aid

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Prepared by

John Stott

Wisconsin Legislative Fiscal Bureau
One East Main, Suite 301
Madison, WI 53703

TABLE OF CONTENTS

Introduction	1
Needs Analysis	2
Sources of Financial Aid.....	3
Financial Aid Programs.....	5
Grant Programs	6
Forgivable Loan Programs.....	12
Repayable Loan Programs	15
Scholarship Programs and Institutional Aid.....	17
Special Programs	19
Tax Incentives	24
Financial Aid Package.....	25
Interstate Comparisons.....	26

Student Financial Aid

Introduction

There are four primary sources of student financial aid: (1) the federal government; (2) state programs; (3) higher education institutions; and (4) other private and community-based organizations. Each year, approximately one-half of the undergraduate students attending public and private, nonprofit postsecondary institutions in Wisconsin apply for need-based financial aid. In 2002-03, the most recent year for which information is available, there were 333,394 financial aid awards totaling approximately \$745.3 million in financial assistance. Of the total amount awarded, 73.1% was based on the students' financial need. The federal government determines the amount of need-based financial aid a student is eligible for, and funds the largest grant, loan and work-study programs that make up the aid "package" that a student receives. In 2002-03, 72.0% of need-based aid to resident undergraduates in Wisconsin was provided through a variety of federal programs. An additional 12.4% was funded by state programs administered by the Higher Educational Aids Board and the institutions themselves awarded 12.4% of the total. The remaining 3.2% was provided from private and other sources.

In determining a student's financial need, the resources of the student and his or her family are compared to the estimated cost of the student's education. The total cost includes tuition, food, housing, transportation, books and miscellaneous day-to-day expenses. The student's financial need is the cost of education that the current methodology assumes cannot be covered by student or family resources. "Unmet need" is the remaining cost of education that cannot be met by either personal contribution or financial aid. This

"unmet need" can be met by additional parental contributions beyond what is assumed, student earnings apart from work-study aid or reductions in costs by the student.

In 2002-03 resident undergraduate students received \$544.9 million in need-based student financial aid, consisting of: \$392.1 million in federal assistance (grants, loans and work study), \$67.5 million in state grants through Higher Educational Aids Board programs, \$6.4 million from private sources, \$67.5 million from institutional grant, work and loan programs, and approximately \$11.4 million from other programs.

Table 1 shows need-based financial aid for Wisconsin resident undergraduate students for the most recent five years for which data are available.

Table 1: Wisconsin Undergraduate Need-Based Financial Aid (\$ in Millions)

	1998-99	1999-00	2000-01	2001-02	2002-03
Students Receiving Aid	95,380	90,458	89,129	92,735	99,923
Cost of Education	\$973.7	\$997.5	\$1,027.3	\$1,118.0	\$1,250.7
Financial Need Total Aid (All Sources)	\$637.2	\$645.8	\$671.7	\$730.6	\$840.4
Unmet Need	<u>419.8</u>	<u>430.0</u>	<u>446.2</u>	<u>488.5</u>	<u>544.9</u>
	\$217.4	\$215.8	\$225.5	\$242.1	\$295.5
Unmet % of Financial Need	34.1%	33.4%	33.6%	33.1%	35.2%
% Chg in Total Aid	-2.6%	2.4%	3.8%	9.5%	11.5%

In 2002-03, need-based aid covered approximately 64.8% of the remaining need, after family contributions, of those students eligible for aid. Between 1998-99 and 2002-03, the average cost of education for an undergraduate student increased by 22.6%, while average need-based aid

per student from all sources increased by 23.9%.

This paper presents an overview of state and federal financial aid programs. The first section discusses the methodology used to determine student financial need. The second section briefly describes the various sources of financial aid. The third section provides a more detailed description of each financial aid program. The fourth section discusses the process used to distribute financial aid. The final section provides interstate comparisons.

Needs Analysis

The cost of postsecondary education varies greatly depending upon one's situation. In Wisconsin, the items that comprise educational costs such as tuition and fees, room and board, books and supplies, transportation and personal expenses can range from under \$8,820 annually for a student attending a Technical College System institution full-time and living at home to over \$30,000 for a student attending an independent college and living on campus. Financial aid is awarded based upon a systematic evaluation of a student's financial need, using the guiding principle that students and their families are primarily responsible, depending on their resources, for paying for a postsecondary, undergraduate education.

Congress has established a needs analysis system, referred to as the "federal methodology," which determines how much families and students must contribute towards the cost of their education. Students are expected to pay a part of their education from their earnings and savings. The contribution that a parent is expected to make takes into account family income, assets, number of children and other dependents in the household, number of family members enrolled in higher education, liabilities, and unusual financial

circumstances. The expected family contribution is determined from the portion of their income or assets that are determined to be "discretionary." In general, this family contribution increases with the family's discretionary income.

Although costs vary from school to school, the amount one is able to pay remains the same. The student's financial need is the difference between his or her expense budget for a school or college and the amount the family, including the student, is expected to contribute. The college then attempts to meet this need through an offer of a package of financial aid programs. Financial aid can be a combination of one or more types of assistance including scholarships, grants, loans or work, depending upon a student's financial need and eligibility for a variety of programs.

In most cases, to be eligible to receive aid from the general need-based programs discussed in this paper, a student must:

- Demonstrate financial need.
- Have a high school diploma or a general educational development (GED) certificate.
- Be enrolled as a degree-seeking student.
- Be a U.S. citizen or an eligible noncitizen.
- Have a social security number.
- Make satisfactory academic progress in a degree or certificate-granting program, which is usually defined by the school, but often viewed as maintaining a "C" average.
- Register with the Selective Service, if required.

Some of the programs described in this paper such as the federal Stafford Loan, PLUS Loan and Direct Student Loan programs require the student to be enrolled at least half-time, which is usually

defined as at least twelve credits per year. This is not a requirement to receive federal aid under the Pell Grant, Supplemental Educational Opportunity Grant, Work-Study and Perkins Loan programs. Students attending less than full-time would have their cost of education proportionately reduced, which would affect their financial need and in turn, the amount of financial aid they would receive.

Another determination made when one applies for financial aid is the student's dependency status. Dependency status is based on whether one is considered a dependent of one's parents and consequently must report their parents' income as well as their own, or whether one is financially independent of their parents. This determination is necessary because most student aid programs are based on the assumption that parents have the primary responsibility of paying for their children's education, whether they choose to or not. Students who have access to parental support, according to federal guidelines, should not receive financial aid at the expense of students who do not have that access. A student is considered independent for financial aid purposes if he or she is one of the following:

- At least 24 years of age.
- Married.
- A graduate or professional student.
- Someone with legal dependents other than a spouse.
- An orphan or ward of the court.
- A veteran.

Table 2 shows an estimate of a student base budget for a full-time resident undergraduate student for the 2004-05 academic year as prepared by the financial aid office at UW-Milwaukee. In both columns, the data are for a dependent student. The budget figures in the first column are

for a student living at home with a parent and the figures in the second column are for a dependent student living away from home. In this estimate, tuition accounts for 47.1% or 37.6% of the student's total budget while expenses other than tuition comprise the majority of the student's budget. In addition to the expenses shown for a dependent student, an independent student would have medical expenses estimated at \$960.

Table 2: Dependent Student Base Budget Estimates -- 2004-05 Academic Year (9 Months)

	Living With Parent	Living Away From Home
Tuition and Fees	\$5,831	\$5,831
Books/Supplies	800	800
Room	0	3,150
Board	2,580	2,580
Transportation	1,560	1,560
Medical	0	0
Personal/Misc.	<u>1,600</u>	<u>1,600</u>
Total	\$12,371	\$15,521

Sources of Financial Aid

Financial aid is provided by a number of sources:

Federal Government. In 2002-03, over 70% of the need-based financial aid to resident undergraduate students was provided by the federal government. This aid included \$145.3 million in need-based grants and \$231.2 million in loans. Approximately one-third of the cost of education of those receiving need-based financial aid in 2002-03 was met by federal funds. Table 3 provides expenditure levels for the major need-based financial aid programs administered by the U.S. Department of Education. These include the Pell Grant, Supplemental Education Opportunity Grant (SEOG), College Work Study, Perkins Loan,

Table 3: Federal Financial Aid Programs (\$ in Millions)

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Pell Grant	\$77.7	\$72.8	\$66.9	\$65.1	\$68.5	\$80.0	\$83.4	\$86.7	\$107.8	\$125.6
SEOG	13.8	13.6	13.2	12.8	14.3	15.4	15.0	14.4	15.5	15.8
College Work Study	13.2	11.8	12.1	13.0	14.7	14.8	13.7	13.6	14.7	15.6
Perkins Loan	18.6	19.8	23.5	21.3	20.9	22.6	22.5	24.3	24.9	28.6
Stafford Loan/SLS	195.3	203.8	230.4	218.2	187.9	180.5	181.7	174.5	184.1	202.5
LEAP (formerly SSIG)	1.5	1.5	1.3	0.7	1.1	0.5	0.5	0.9	1.1	1.4
Bureau of Indian Affairs	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.6</u>	<u>2.5</u>	<u>2.7</u>	<u>3.1</u>	<u>3.0</u>	<u>3.4</u>	<u>3.9</u>
TOTAL	\$321.3	\$324.5	\$348.6	\$332.7	\$309.9	\$316.5	\$319.9	\$317.4	\$351.6	\$393.5
Percent Change	15.4%	1.0%	7.4%	-4.6%	-6.9%	2.1%	1.1%	-0.8%	10.8%	11.9%

Stafford Loan/Supplemental Loan for Students (SLS) and Bureau of Indian Affairs Grants. Since 1993-94, total need-based federal financial aid for Wisconsin students has increased by \$72.2 million, or 22.5%, from \$321.3 million in 1993-94 to \$393.5 million in 2002-03.

Higher Educational Aids Board (HEAB). The Higher Educational Aids Board is the primary agency responsible for the management and oversight of the state's student financial aid system for Wisconsin residents attending institutions of higher education. As such, HEAB administers state-funded, student financial aid programs and negotiates interstate higher education reciprocity agreements. The Board is a part-time, independent policy making body composed of 11 members: the State Superintendent of Public Instruction; three members, including one from each of the UW Board of Regents, the Wisconsin Technical College System (WTCS) Board, and a Board of Trustees of an independent college or University in the state; three financial aid administrators, including one from each of the UW System, WTCS, and a private nonprofit college or university in the state; three undergraduate students, including one from each of the UW System, WTCS, and a private nonprofit college or university in the state; and one member of the general public. Except for the State Superintendent, all Board members are appointed by the Governor. Student members of HEAB serve two-year terms while nonstudent members serve staggered, three-year terms. HEAB has a staff of

12.0 full-time equivalent (FTE) employees including an Executive Secretary who is appointed by the Governor.

By statute, HEAB must use the "nationally approved needs methodology." Table 4 shows a history of funding for HEAB-administered need-based financial aid programs. Prior to 1998-99, all of these aid programs were supported with state, general purpose revenue (GPR) dollars. A provision in 1999 Act 9, the 1999-01 state budget, transferred funding for the Indian student assistance grant program from GPR to program revenue (PR) derived from tribal gaming compacts. Act 9 also created a Wisconsin Higher Education Grant (WHEG) program for tribal college students that is also funded with tribal gaming revenues. Except for 2004-05, the data shown in the table reflects actual expenditures. Budgeted amounts are shown for 2004-05.

In addition to the need-based programs shown in Table 4, HEAB administers the academic excellence scholarship (AES) program which provides merit-based scholarships and a scholarship for students studying to teach the visually impaired. Table 5 shows 2003-04 program expenditures and the number of students receiving aid for all HEAB financial aid programs. The total expenditure amount shown in Table 5 for 2003-04 differs from that shown in Table 4 because Table 5 includes the AES and teacher of visually impaired programs, which are not need-based, as well as federal fund-

Table 4: HEAB Need-Based Programs (GPR and PR Funds)

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05*
Wisconsin Higher Ed. Grant									
UW Students	\$15,871,482	\$15,751,149	\$17,470,802	\$16,854,076	\$20,641,159	\$19,380,141	\$22,213,203	\$28,352,131	\$34,959,600
WTCS Students	10,618,597	11,230,344	11,795,124	11,354,630	13,879,602	14,157,863	14,369,851	14,796,980	14,874,000
Tribal College Students	N.A.	N.A.	N.A.	374,868	432,280	399,776	402,789	402,200	404,000
Tuition Grant	16,231,858	17,462,100	18,090,754	17,412,235	23,181,819	21,141,847	22,431,409	21,738,985	22,103,700
Talent Incentive Grant**	4,073,641	3,497,582	4,287,990	3,935,402	4,598,887	4,322,235	4,581,699	4,445,242	4,503,800
Indian Student Grant	747,169	744,336	727,181	755,205	784,444	748,575	798,865	777,328	787,600
Handicapped Student Grant	113,219	109,286	99,158	110,803	83,210	107,049	96,827	123,800	123,800
Minority Student Grant	687,023	677,613	693,961	690,574	698,376	720,542	737,850	741,858	756,900
Nursing Student Stipend Loan	12,413	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Nursing Student Loan Program	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	449,499	379,486	450,000
Minority Teacher Loan	109,250	113,930	232,852	236,978	239,952	238,662	240,007	225,162	262,100
Independent Student Grant	149,560	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Teacher Education Loan	N.A.	150,000	234,000	248,000	250,000	240,000	271,500	239,750	275,000
TOTAL	\$48,614,212	\$49,736,340	\$53,631,822	\$51,972,771	\$64,789,729	\$61,456,690	\$66,593,499	\$72,222,922	\$79,500,500
Expenditure Change	7.1%	2.3%	7.8%	-3.1%	24.7%	-5.1%	8.4%	8.5%	10.1%

N.A. Not applicable

* Budgeted

** Does not include federal Leveraging Educational Assistance Partnership (LEAP) monies.

ing provided for talent incentive grants.

University of Wisconsin System. The UW System currently administers two state-funded financial aid programs for minority and disadvantaged students: the advanced opportunity program; and the Lawton minority undergraduate retention grant. In addition, individual campuses provide over \$34.4 million in gift and endowment funds for grants and loans.

Other State Agencies. The Departments of Administration, Veterans Affairs, Commerce, Public Instruction, and Military Affairs administer financial aid programs for a select group of students.

Independent Colleges. Wisconsin's independent colleges and universities provide their own institutional aid for their students in addition to federal or state programs.

Table 5: HEAB -- 2003-04 Program Expenditures

	Number of Awards	Total Expended	Average Award
WI Higher Education Grant			
UW Students	22,820	\$28,352,131	\$1,242
WTCS Students	20,232	14,796,980	731
Tribal College Students	281	402,200	1,431
Tuition Grant	10,392	21,738,985	2,092
Talent Incentive Grant*	4,497	5,841,669	1,299
Academic Excellence Scholarship	2,911	3,144,673	1,080
Indian Student Grant	855	777,328	909
Minority Student Grant			
Private College Students	272	364,877	1,341
WTCS Students	368	376,981	1,024
Handicapped Student Grant	76	123,800	1,629
Minority Teacher Loan	98	225,162	2,298
Nursing Loan Program	242	379,486	1,568
Teacher of the Visually Impaired	13	92,127	7,087
Teacher Education Loan	90	239,750	2,664
TOTAL	63,147	\$76,856,149	\$1,217

*Includes federal Leveraging Educational Assistance Partnership monies.

forms:

Grants - direct forms of financial aid, usually provided on the basis of financial need, that do not have to be repaid. In 2002-03, state, federal and institutional grant programs accounted for 51.2% of need-based financial assistance.

Financial Aid Programs

Financial aid may be provided in a number of

Loans - financial aid that must be repaid. These loans can have their interest partially subsidized by a governmental agency and, in order to gain favorable interest rates, loan repayment may be guaranteed by a public or private agency. Some loans can have their principal forgiven if the recipient adheres to certain conditions, such as becoming a teacher in an inner city school or a physician in a medically underserved area. In 2002-03, student loan programs accounted for 42.6% of all need-based undergraduate financial assistance and 65% of non-need-based undergraduate financial assistance.

Scholarships - grants awarded completely or partly on the basis of grades, other achievements, or satisfying special conditions, such as a parent working for a particular employer or being a veteran.

Remissions, Reciprocity - institutions may remit or forego part of a student's tuition under certain conditions. In addition, states or individual institutions may have reciprocity agreements which enable a student from one state to attend a public institution in another state without having to pay nonresident tuition. Such an agreement exists between Minnesota and Wisconsin.

The following section provides descriptions, based on statutory requirements and HEAB policy, of the principal financial aid programs available to Wisconsin students. Unless otherwise indicated, program data is for Wisconsin resident undergraduate students attending college in-state. The administering entity is indicated in parentheses after the title of each program.

Grant Programs

1. Pell Grant (Federal). This program, which provides the largest amount of grant aid to Wisconsin undergraduate students, is an entitlement program that ensures that all students who qualify for a grant receive an award. However, in recent years, the program has not been fully funded by

Congress and consequently, the largest grants awarded have been less than the maximum amount permitted by law. It is intended to be the base upon which other financial aid is built because, in general, students eligible for Pell Grants are eligible for other forms of aid. In 2004-05, undergraduate students enrolled at least half-time and whose expected family contribution is less than \$4,050, are eligible to receive award amounts expected to range from a minimum of \$400 to a maximum of \$4,050 annually. For students enrolled less than full-time, grants are reduced proportionately. Students who receive a Pell Grant are eligible to receive the grant for up to five years as long as they maintain satisfactory academic progress and a "C" average. In 2002-03, 55,621 Pell Grants were awarded for a total of \$125.6 million, or an average of \$2,257 per grant.

2. Supplemental Educational Opportunity Grant (Federal). The SEOG is a campus-based program administered by financial aid officers at each participating postsecondary institution for undergraduates with exceptional financial need. Unlike the Pell Grant, which provides funds to every eligible student, each participating institution receives a certain amount of SEOG funds based upon a formula that considers the state's share of the national undergraduate student enrollment. Beginning in federal fiscal year 2000, each institution received at least the amount they received in 1999. The Federal Methodology is used to determine student aid eligibility and priority is given to students who receive Pell Grants. Awards are based on the availability of SEOG funds and the amount of other aid the student receives, as well as financial need. Undergraduates enrolled full-time or part-time are eligible for awards ranging from \$100 to \$4,000 per year. In 2002-03, SEOG awards of \$15.8 million were provided to 22,496 Wisconsin students, for an average of \$703 per grant.

3. Wisconsin Higher Education Grant (HEAB). The WHEG program provides grants to resident undergraduate students enrolled at least half-time at UW, Technical College institutions,

and tribal colleges located in Wisconsin. Eligible students may receive grants of \$250 to \$2,500 per year for no more than 10 consecutive semesters. All awards are based on financial need. A student's need is established using the Federal Methodology, but WHEG award amounts are calculated by formulas approved by HEAB.

WHEG awards are currently funded under three separate appropriations, one each for UW students, WTCS students and tribal college students. Prior to 1996-97, only UW and WTCS students were eligible for the grants, which were funded from one appropriation. The 1995-97 state budget split the funding for the WHEG program into two appropriations, with one for UW students and one for WTCS students, beginning with the 1996-97 academic year. Prior to 1996-97, HEAB approved one formula for the distribution of WHEG funds. By varying its allocation of funds based on independent/dependent status, the Board determined the number of Technical College (primarily independent) and UW System (primarily dependent) students who were eligible to receive awards. Beginning in the spring of 1996, the UW Board of Regents and the WTCS Board were each required to annually submit a proposed formula for distribution of WHEG awards for the following academic year to students enrolled in their respective systems. HEAB then approved one formula for each system. A provision in the 1999-01 budget created a new appropriation for WHEG awards to students attending tribal colleges in Wisconsin. These grants, which are funded with revenues from tribal gaming compacts, replaced grants that had been awarded to tribal college students under the tuition grant (TG) program during the 1997-99 biennium. Annually, the two tribal colleges in the state, Lac Courte Oreilles Ojibwa Community College and College of the Menominee Nation, submit a proposed formula for distribution of the grants to their students. Currently, HEAB approves three separate formulas for the distribution of funds under the WHEG program, one for each sector.

In 2003-04, a total of \$43,551,311 was expended

for WHEG grants to students in all three sectors. Of the total, 22,820 UW students received \$28,352,131, 20,232 WTCS students received \$14,796,980, and 281 tribal college students received \$402,200.

Prior to 1999, the law required that grant amounts be established separately for dependent and independent students. Modifications to the formula factors resulted in different distributions of funds among dependent and independent students. Historically, the WHEG formula provided larger grants to dependent students than to independent students, reflecting the focus on traditional 18 to 24-year old college students. However, in the late 1990s, both the Board of Regents and the WTCS Board began to recommend formulas that intended to provide for greater equity between the two groups by increasing awards for independent students while maintaining award amounts for dependent students at a relatively stable level. At the request of the two agencies and HEAB, a provision in the 1999-01 state budget repealed the requirement for separate formulas and instead required HEAB to award grants based on a formula that accounts for expected parental and student contributions and that is consistent with nationally approved needs analysis methodology.

Between 1996-97 and 2003-04, the average award for an independent student with a family increased from \$646 to \$793 for WTCS students and from \$767 to \$1,380 for UW students. During the same period, average grants to dependent students decreased from \$964 to \$657 for WTCS students, and increased from \$992 to \$1,186 for UW students with an increase over the 1996-97 amount occurring during the past two years. Table 6 shows WHEG program expenditures from 1994-95 through 2003-04.

A provision in 2001 Act 109 linked WHEG-UW funding increases to tuition increases at the UW System. Effective July 1, 2003, the appropriation for WHEG-UW change from a biennial sum certain to a capped sum sufficient appropriation. Act 109 specified that the appropriation amount in any

Table 6: Wisconsin Higher Education Grants

	UW System			Wisconsin Technical Colleges			Total
	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award	
1994-95	22,048	\$14,493,738	\$657	20,120	\$10,744,068	\$534	\$25,237,806
1995-96	20,305	12,774,612	629	18,336	10,821,540	590	23,596,152
1996-97	19,205	15,871,482	826	15,927	10,618,597	667	26,490,079
1997-98	18,836	15,751,149	836	15,186	11,230,344	740	26,975,870
1998-99	18,379	17,470,802	951	15,561	11,795,124	758	29,265,926
1999-00	16,669	16,854,074	1,011	15,173	11,354,630	748	28,208,704
2000-01	17,943	20,641,159	1,150	18,892	13,879,602	735	34,520,761
2001-02	19,149	19,380,141	1,012	20,246	14,157,863	699	33,538,004
2002-03	20,505	22,213,203	1,083	20,112	14,369,851	714	36,583,054
2003-04	22,820	28,352,131	1,242	20,232	14,796,980	731	43,149,111

year would be the prior year amount adjusted by the applicable percentage increase in undergraduate resident tuition, rounded to the nearest \$100. However, if tuition were to decrease or remain unchanged, funding would remain at the prior year amount. Under 2003 Act 33, the link was suspended during the 2003-05 biennium in order to accommodate a reduction in GPR funding for the WHEG-UW grant of \$1,093,700 GPR in 2003-04 and \$1,912,800 GPR in 2004-05. Supplemental funding was provided for the WHEG-UW grants through a new PR-funded appropriation funded through transfers from the UW System's auxiliary enterprises appropriation. Total supplemental funding during the biennium was \$21,839,600 with \$6,453,700 in 2003-04 and \$15,032,800 in 2004-05.

4. Tuition Grant (HEAB). The TG program provides need-based funds to resident undergraduates who attend private, nonprofit postsecondary institutions in Wisconsin. A provision in 1997 Act 27 extended eligibility for TG awards to students enrolled at least half-time at tribal colleges in the state and this change first took effect in 1997-98. As previously noted, however, this provision was repealed in the 1999-01 state budget. Students attending tribal colleges are currently eligible for WHEG awards.

Award amounts for TG recipients are determined using a statutory formula that relies in part

on the amount by which the student's tuition exceeds UW-Madison tuition. Therefore, in the case of two applicants with the same expected family contribution, the applicant for whom this tuition differential is greater would be eligible to receive a larger award. Tuition grants are calculated by HEAB after federal Pell Grant eligibility has been determined, but are made independent of the Pell Grant award. Each year HEAB approves a formula for distribution of TG funds which is based on dependency status and the percentage of students expected to decline the awards (overawards). Overawards are limited by statute to 22% of the anticipated grants.

Students enrolled at least half-time are eligible for grants ranging from \$250 to \$2,500 per year for no more than 10 semesters. Prior to 2001 Act 16, the maximum award was statutorily set at \$2,300. Act 16 authorized HEAB to establish the maximum grant award if the Board determines that increasing the grant maximum would not decrease the total number of grant recipients receiving an award in the current year from the number who received an award in the previous year.

The private colleges with the largest number of TG recipients in 2003-04 were Marquette University (1,346), Alverno College (945), Carroll College (783), and Viterbo College (713). Table 7 shows TG program funding from 1994-95 through 2003-04.

Table 7: Tuition Grant Program

	Number of Students	Expenditures	Average Award
1994-95	8,880	\$16,145,913	\$1,818
1995-96	8,690	15,859,809	1,825
1996-97	9,067	16,231,858	1,790
1997-98	9,788	17,462,100	1,784
1998-99	9,406	18,090,754	1,923
1999-00	9,306	17,412,235	1,871
2000-01	12,343	23,181,819	1,878
2001-02	11,089	21,141,847	1,907
2002-03	11,673	22,431,409	1,922
2003-04	10,392	21,738,985	2,092

5. Talent Incentive Grant Program (HEAB).

This program (known as "TIP") is intended to enhance educational opportunities and encourage attendance in postsecondary educational institutions. These grants are restricted to the most needy and educationally disadvantaged students selected by the staff of the Wisconsin Educational Opportunity Program (WEOP) in the Department of Public Instruction and institutional financial aid officers. TIP is supported by state general fund monies and federal funds through the Leveraging Educational Assistance Partnership (LEAP) Program, formerly called the State Student Incentive Grant (SSIG) program, and the federal Supplemental Leveraging Educational Assistance Partnership (SLEAP) Program. These monies are distributed to states on a formula basis, must be matched on a dollar-for-dollar basis with state funds and can only be used to supplement financial aid programs that are not restricted to students attending a particular type of institution. Total expenditures in 2003-04 were \$5,841,669, of which \$4,454,329 was GPR funded.

Only students receiving TIP awards as freshmen are eligible to receive awards as upperclassmen; a student is eligible for a TIP award for no more than 10 consecutive semesters. Freshmen TIP awards are made by financial aid officers and WEOP counselors and HEAB determines the awards for those who continue to enroll as upperclassmen. Unlike other financial aid programs, TIP funding is guaranteed, by statute, for continuing upperclassmen, thus obligating HEAB to four

years of support once an initial award is made.

Students are eligible for both a maximum TIP award as well as a maximum WHEG or TG award. Freshmen may receive TIP awards of \$600 to \$1,800 while the maximum award for upperclassmen varies from year to year depending on the amount of federal funds received. In 2002-03, the maximum was \$1,800. Table 8 shows TIP expenditure levels for the UW System, WTCS and private college sectors from 1994-95 through 2003-04.

6. Handicapped Student Grant (HEAB).

Prior to 1996-97, this program was funded from the WHEG appropriation. In 1995 Act 27, a separate appropriation was established for the program under which Wisconsin residents who are enrolled as undergraduates at an in-state or eligible out-of-state public or private, nonprofit postsecondary institution and who have a hearing or visual impairment are eligible for financial assistance. The eligible out-of-state institutions include Rochester Institute of Technology (NY), Gallaudet College (DC), St. Paul Technical and Vocational Institute (MN), St. Mary's Junior College (MN), California State University-Northridge National Center on Deafness, and Northern Illinois University. All awards are based on financial need. Students are eligible for a maximum grant of \$1,800 a year for up to ten semesters in addition any grants received under the WHEG or TG programs. Additional costs such as special equipment and materials are included along with expenses covered in the standard student budget. In 2003-04, 76 hearing impaired or visually impaired students received a total of \$123,800 under this program with awards averaging \$1,629. The largest group of award recipients (37) attended Wisconsin Technical College System institutions. Nine students attended out-of-state colleges, with six enrolled at Rochester Institute of Technology and three enrolled at Gallaudet University.

7. Indian Student Assistance Grant (HEAB).

These funds are awarded to resident Native Americans who have at least one-quarter Indian

Table 8: Talent Incentive Grant Program*

	UW System			Wisc Tech Colleges			Private Colleges		
	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award
1994-95	2,501	\$2,583,413	\$1,033	1,504	\$1,549,044	\$1,030	1,230	\$1,467,094	\$1,193
1995-96	2,383	2,456,691	1,031	1,393	1,410,588	1,013	1,151	1,328,641	1,154
1996-97	2,405	2,290,069	952	1,313	1,256,262	957	1,125	1,192,784	1,060
1997-98	2,160	2,362,929	1,094	1,127	1,047,305	929	1,032	1,150,927	1,115
1998-99	2,257	2,449,785	1,085	1,041	1,230,974	1,041	969	1,139,885	1,176
1999-00	2,130	2,254,554	1,058	1,075	1,147,670	1,068	901	1,042,297	1,157
2000-01	2,100	2,735,493	1,303	1,091	1,402,828	1,286	889	1,280,521	1,440
2001-02	2,188	2,756,147	1,260	1,119	1,344,032	1,201	901	1,239,707	1,376
2002-03	2,268	2,891,663	1,275	1,253	1,607,669	1,283	948	1,289,432	1,360
2003-04	2,199	2,839,034	1,291	1,180	1,497,729	1,269	982	1,324,902	1,349

*Includes both state funds and federal state student incentive grant monies.

blood or are recognized as a member of a tribe by the appropriate tribal government. Full- and part-time graduate or undergraduate students who attend accredited institutions of higher education in the state are eligible for financial assistance. Grants are based on financial need and may be received for a total of five years. A provision in 1995 Act 27 reduced the maximum grant from the state from \$2,200 to \$1,100. While the Act also allowed GPR grants to be matched by a contribution from a federally recognized Indian tribe or band, tribal governments had been providing matching funds for most grants prior to the change in the law. Prior to 1999-00, the program was funded with GPR monies. However, a provision in 1999 Act 9 transferred funding for the program to program revenues derived from the state's Indian gaming compacts. In 2003-04, 321 students enrolled at Wisconsin tribal colleges received grants totaling \$298,995. UW institutions enrolled 213 students who received \$200,513; Wisconsin Technical Colleges enrolled 270 students who received \$228,140; and there were 51 students enrolled in private institutions or proprietary schools who received \$49,680. State-wide, the average grant was \$909.

8. Minority Undergraduate Retention Grant (HEAB). Under this program, awards are made to resident minority undergraduates, excluding freshmen, enrolled at least half-time at Wisconsin

Technical Colleges or private, nonprofit postsecondary institutions in the state. According to the statutes, a minority student is defined as a student who is either a Black American, American Indian, Hispanic, or Southeast Asian admitted to the U.S. after December 31, 1975. Awards are based on financial need with a maximum grant of \$2,500 a year for up to eight semesters. HEAB allocates funds to eligible institutions based on their enrollment of resident minority students.

In 2003-04, \$376,981 was awarded to 368 technical college students with an average award of \$1,024. A total of 272 students attending private colleges or tribal colleges received \$364,877 with an average award of \$1,341.

9. Independent Student Grant (HEAB). Until it was eliminated in 1997-98, this program provided grants to resident students who were enrolled at a public or private postsecondary institution in the state and were receiving aid to families with dependent children (AFDC). Students who were enrolled in either the second or third year of an associate degree program or in the third, fourth or fifth year of a bachelor's degree program could qualify for need-based grants of up to \$4,000 a year for up to three years. Certain grant recipients who no longer reside in state or who have not successfully completed requirements for a degree within

five years of receiving a grant are required to repay the grant amount at a 5% annual interest rate.

Due to the elimination of AFDC under the Wisconsin Works program, a provision in 1997 Act 27 deleted funding for the program and specified that no students could receive an initial grant under the program after the 1996-97 academic year. A total of 801 students received grants under the program. As of 2003-04, 654 recipients had their grant repayment forgiven, 92 students were in default, 21 students had repaid their grants in full, 18 were in repayment, and 11 had refunded their grants.

10. Advanced Opportunity Program (UW System). The AOP program provides grants to minority and economically disadvantaged graduate students enrolled at UW institutions. In 2003-04, the most recent year for which data are available, 82% of the grants were provided to minority students. Eligibility requirements vary by campus but are primarily based on financial need and/or academic performance. This is the only state-funded financial aid program that provides funds to non-resident students who are not covered by the Minnesota-Wisconsin Higher Education Reciprocity Agreement. While there are no statutory limits on the grant amount or number of eligible semesters, the program is funded through a sum certain appropriation. In 2003-04, 536 students received AOP awards totaling \$5,299,711; 342 residents received awards averaging \$8,403 and 194 nonresidents received awards averaging \$12,504. The UW treats AOP as a fellowship, rather than a grant program, thus making AOP recipients eligible for fringe benefits, primarily health insurance. Because non-resident AOP recipients also receive tuition remissions, the value of these grants to nonresidents is considerably higher than the amount of the AOP award. AOP recipients are also eligible for assistantships. Under 2003 Act 33, base GPR support remained at \$4,905,900 annually, while supplemental funding of \$825,000 PR in 2003-04 and \$1,650,000 PR in 2004-05 was provided through a transfer of funding from the UW System's auxiliary enterprises appropriation. Total funding for this

program is \$6,555,900 in 2004-05.

11. Ben R. Lawton Minority Undergraduate Grant (UW System). The Lawton Grant provides financial assistance to minority resident and Minnesota reciprocity undergraduate students who demonstrate financial need. Sophomores, juniors, and seniors, enrolled for at least six credits, are eligible for up to four years of support and an annual maximum grant of \$2,500. Since freshmen are not eligible for Lawton grants, this is a retention, rather than a recruitment program. Lawton grants are provided as "last dollar" grants, which means that they are awarded after all other aid for which a student is eligible has been determined. In 2003-04, 2,707 students received a total of \$3,815,586 averaging \$1,410 per grant. Under 2001 Act 109, annual funding increases for the Lawton appropriation were to be linked to the highest prior year increase for undergraduate resident tuition at any UW System institution starting in 2003-04, in the same way as the WHEG-UW program. However, 2003 Act 33 suspended the link until 2005-06. Under 2003 Act 33, base GPR support remained at \$3,080,800 annually, while supplemental funding of \$761,500 PR in 2003-04 and \$1,842,100 PR in 2004-05 was provided through a transfer of funding from the UW System's auxiliary enterprises appropriation. Total funding for this program is \$4,922,900 in 2004-05.

12. Bureau of Indian Affairs (BIA) Grant (Federal). A grant available to students who are at least one-quarter Native American in a federally recognized tribe and who meet eligibility criteria established by the tribal affiliations. The appropriate tribal office selects eligible students and determines the amount of each award. The student is eligible for a BIA grant for up to five years. In 2002-03, 1,204 students received BIA grants totaling \$3,906,960 with an average award of \$3,245.

13. Veterans Tuition and Fee Reimbursement Grants (Veterans Affairs). This program provides reimbursement, upon an eligible veteran's successful completion of a semester, of up to 100%

of the cost of the individual's undergraduate tuition and fees, less any other grants or scholarships received, based on the costs of a UW-Madison resident undergraduate. These grants cannot be used for part-time study (less than 12 credits per semester). The veteran may attend any UW institution or state technical college or similar institution in Minnesota that has a reciprocity agreement with Wisconsin. Veterans are eligible for reimbursement for up to 120 credits or eight full-time semesters of study and may receive reimbursement only for credits begun prior to the 10-year anniversary of their separation from active duty. Eligibility is restricted to veterans with incomes of \$50,000 or less (plus \$1,000 for each dependent in excess of two). No veteran may receive reimbursement under this program in any semester in which the person also receives a grant under the part-time and correspondence course grant program or the National Guard tuition grant program. In 2003-04, 1,590 tuition and fee reimbursement grants were awarded, totaling \$3,074,700 and averaging \$1,934 each.

14. Veterans Part-Time Study and Correspondence Course Grants (Veterans Affairs). This program provides reimbursement of up to 100% of the cost of the eligible veteran's undergraduate tuition and fees, less any other grants or scholarships received, based on the costs of a UW-Madison resident undergraduate for part-time study. "Part-time study" is considered 11 credits or less per semester for a student without a bachelor's degree or eight credits or less per semester for a student with a bachelor's degree. There is no credit limitation for students attending summer school. Qualifying veterans may receive a grant for courses completed at any UW institution or center, state technical college, accredited private college in Wisconsin, similar institution that has a tuition reciprocity agreement with Wisconsin or proprietary trade and vocational school. Reimbursement may also be received for courses at schools less than 50 miles outside the state border, if the course is not offered within Wisconsin and is within 50 miles of the participant's home. Eligibility is restricted to veterans with annual household incomes of \$50,000 (plus

\$1,000 for each dependent in excess of two). In 2003-04, 1,298 part-time study grants were awarded, totaling \$1,045,300 and averaging \$805 each.

15. National Guard Tuition Grants (Military Affairs). Wisconsin National Guard members are eligible to receive reimbursement grants equal to 100% of the maximum resident undergraduate tuition rates charged by UW-Madison for a comparable number of credits. The grants may be received for up to eight semesters of full time study or 120 credits of part-time study. Eligibility is limited to enlisted members and warrant officers of the Wisconsin National Guard, and reimbursement for post-baccalaureate degree work is not permitted. Reimbursement of tuition may be obtained by National Guard members who were enrolled at one of the following institutions: (a) at any UW institution, state technical college, or any approved institution of higher education in the United States as determined by the Wisconsin Higher Educational Aids Board for National Guard members who enlisted prior to July 26, 2003; or (b) in-state institutions or out-of-state institutions that have a reciprocity agreement with this state (part of the Wisconsin-Minnesota student reciprocity agreement under s.39.49 of the statutes, or a community college in Michigan, Illinois, or Iowa with an agreement under s. 39.42 of the statutes). No National Guard member may receive reimbursement grant under this program in any semester in which the person also receives a grant under the veterans tuition and fee reimbursement grant program. In 2003-04, 3,242 grants were awarded, totaling \$4,199,500. Average fall and spring semester grants were \$1,332 each and average summer session grants were \$673 each.

Forgivable Loan Programs

1. Nursing Student Loan (HEAB). In 2001 Act 16, a loan program for nursing students was created, beginning in 2002-03. These loans are provided to Wisconsin residents who are enrolled at least half-time at an eligible in-state institution that

prepares them to be licensed as nurses, either RN or LPN. The maximum award per year is \$3,000 with an overall maximum of \$15,000. Students who participate in the program must agree to be employed as a licensed nurse in Wisconsin. For each of the first two years that individual practices nursing in Wisconsin and meets the eligibility criteria, 25% of the loan is forgiven. The balance remaining after forgiveness must be repaid at an interest rate not to exceed 5% annually. If the student does not practice nursing in Wisconsin and meet the eligibility criteria, the loan must be repaid at an interest rate not to exceed 5%. In 2003-04, 242 students received loans totaling \$379,486. More than half of the recipients (151) attended WTCS institutions, 67 attended an independent college or university, and 24 attended UW System. In 2004-05, \$450,000 GPR is budgeted for the nursing student loan program.

2. Minority Teacher Loan (HEAB). This program provides loans, at 5% interest, of up to \$2,500 per year to a maximum of \$5,000, to resident minority undergraduate students who: (1) are enrolled at least half-time at a UW campus or private, nonprofit postsecondary institution in Wisconsin; (2) are registered as juniors or seniors or hold a bachelor's degree and are registered as special students; (3) are enrolled in programs leading to teacher licensure and are not currently licensed; (4) meet academic criteria specified by HEAB; and (5) agree to teach in a school district located in the state in which minority students constitute at least 29% of total enrollment or in a school district participating in the interdistrict pupil transfer (Chapter 220) program. The loan principal and interest is forgiven at a rate of 25% for each year the recipient teaches in an eligible school district. If the student does not teach in an eligible district, the loan must be repaid with the funds deposited in the general fund.

For 2003-04, a total of \$225,162 was expended for 98 students, averaging \$2,298 per student. Of these students, 68 were enrolled at UW institutions and 30 were enrolled at private colleges. UW-Milwaukee, with 48 students, had the most partici-

pants. Under the forgiveness component of the program, out of 992 borrowers, over 42% are either forgiven or paid in full. An additional 33% are either in forgiveness or repayment, approximately 10% are still enrolled at least half-time in school, and 9% withdrew from the program and refunded the money. The remaining 6% have deferred loan repayment, are in forbearance, or have defaulted; of those students, 60 have defaulted on their loans and four are in forbearance. In 2004-05, \$262,100 GPR is budgeted for the minority teacher loan program.

3. Teacher Education Loan Program (HEAB). This program, which was created in 1997 Act 27, provides loans to Wisconsin residents enrolled in the teacher education programs at the Milwaukee Teacher Education Center (MTEC). Loan recipients must agree to teach in the Wisconsin school district operating under Chapter 119 of the Wisconsin State Statutes, first class city school system (currently only the Milwaukee Public Schools). For each year the student teaches in the eligible school district, 50% of the loan is forgiven. If the student does not teach in the eligible district, the loan must be repaid at an interest rate of 5%.

For 2003-04, a total of \$239,700 was expended for 90 students with an average award of \$2,664. Since it was implemented, 899 recipients have received loans. Of those recipients, 286 loans have been forgiven, 270 are currently in forgiveness, 181 refunded and withdrew from the program, 89 are currently enrolled, 66 have either paid in full or are in repayment, and seven have defaulted. For 2004-05, \$275,000 GPR is appropriated for the program.

4. Loans for Teachers and Mobility Instructors of Visually Impaired Pupils (HEAB). This program, which was created in 1999 Act 144, provides loans of up to \$10,000 per year to defray the cost of tuition, fees and expenses for students enrolled in a degree-granting program that prepares them to be licensed as teachers of visually impaired pupils or as orientation and mobility instructors. A student may receive a maximum of \$40,000 in

loans under the program. Loan recipients must be Wisconsin residents who are enrolled at least half-time at an accredited institution of higher education in Wisconsin, Minnesota, Iowa, Illinois, or Michigan. HEAB is required, to the extent possible, to give preference to persons who are likely to return to Wisconsin to work with visually impaired persons.

Once a recipient completes the degree program, their loans are forgiven if they are licensed and employed as a teacher of visually impaired pupils or as an orientation and mobility instructor by a school district, the Wisconsin Center for the Blind, and Visually Impaired or a cooperative educational service agency. For loan recipients who are employed full-time, HEAB is required to forgive 25% of the principal and interest on the loan for each of the first and second fiscal years and 50% of the principal and interest amount for the third fiscal year. For persons who are employed less than full-time, HEAB may forgive loans on a prorated basis. For 2004-05, \$100,000 GPR was appropriated for the program.

For 2003-04, a total of \$92,127 was expended for 13 students, averaging \$7,087 per student. Of these students, five were enrolled at out of state institutions and eight were enrolled at in-state institutions.

5. Nursing Student Stipend Loan (HEAB). This program provided need-based, forgivable loans of up to \$2,500 per year to upperclassmen resident undergraduate students who were enrolled full-time in an eligible Wisconsin institution's nursing program. The stipend loan could be forgiven at a rate of \$1,000 for each year of employment as a registered nurse in a Wisconsin hospital, nursing home or public health agency. A provision in 1995 Act 27 prohibited any new students from participating in the program beginning with the 1995-96 academic year. As of 2003-04, of the 1,202 students who received loans under the program, 1,024 have repaid their loans or had them forgiven in full, 47 are in repayment or forgiveness,

19 withdrew from the program and refunded the money, 17 are in deferment or still enrolled, and 95 defaulted on the loan.

6. Douglas Scholarship (Federal). This was a forgivable loan program funded by the federal government and administered by HEAB. The program was restricted to undergraduates at either UW campuses or private colleges who were training to become teachers and graduated in the top 10% of their high school class. Scholarships are forgiven at a rate of 25% for each year the recipient teaches school. Amounts not forgiven have to be repaid at an interest rate that is set by the federal government and usually ranges from 10% to 12%. This program was repealed in 1995-96 with 213 students participating in the program. Of the recipients, 176 students have had their loans completely forgiven or have repaid them, 23 are still in repayment or forgiveness, eight defaulted, and five are enrolled or deferred while one withdrew from the program and refunded the money.

7. Physician and Dentist Loan Assistance Program (Department of Commerce). This program was created in 1989 Act 317 and expanded to include dentists under 2001 Act 16. Loans are repaid for physicians and dentists who agree to practice in an eligible practice area. Physicians and dentists may also participate in an expanded loan assistance program funded with federal and matching state funding if they are a U.S. citizen and meet other requirements including: (1) agreeing to practice at a public or private nonprofit entity in a health professional or dental health shortage area as defined under federal law; (2) accepting Medicare assignment as payment in full for services or articles provided; and (3) using a sliding fee scale or a comparable method of determining payment arrangements for patients who are not eligible for Medicare or medical assistance and who are unable to pay the customary fee for the physician's services. The Department of Commerce may repay, on behalf of a physician or dentist, up to \$50,000 over a three-year period in educational loans obtained by the physician or dentist from a public or private

lending institution for education in an accredited school of medicine or for postgraduate medical training. The loans are repaid according to the following schedule: (1) 40% of the principal up to \$20,000 in the first year; (2) 40% of the principal up to \$20,000 in the second year; and (3) 20% of the principal up to \$10,000 in the third year.

Through June, 2004, 130 physicians and two dentists had participated in the program. The physician and dentist loan assistance program is funded through the Department of Commerce's physician, dental, and health provider loans appropriation; funding for the appropriation is \$488,700 PR and \$200,000 FED in 2004-05.

8. Health Care Provider Loan Assistance Program (Department of Commerce). This program was created in 1993 Act 31 and expanded to include dental hygienists under 2001 Act 16. Its purpose is to encourage primary care providers, including physician assistants, nurse-midwives, nurse practitioners, and dental hygienists to locate in areas of the state that are underserved by primary care providers or dental professionals according to a federal definition. The program also provides an expanded loan assistance program funded with federal and matching state monies. To be eligible for loan repayment under this program, the health care provider must be a U.S. citizen and not have a judgment lien against their property for a U.S. government debt. The health care provider must also meet the following additional requirements: (1) practice at a public or private nonprofit entity in a health or dental health professional shortage area as defined under federal law; (2) agree to accept Medicare assignment as payment in full for services or articles provided; and (3) use a sliding scale or comparable method of determining payment arrangements for patients who are not eligible for Medicare or medical assistance and who are unable to pay the customary fee for the provider's services.

The Department of Commerce may repay, on behalf of health care providers, up to \$25,000 over

a three-year period in loans obtained from a public or private lending institution for education related to the health care provider's field of practice. The loans are repaid according to the following schedule: (1) 40% of the principal up to \$10,000 in the first year; (2) 40% of the principal up to \$10,000 in the second year; and (3) 20% of the principal up to \$5,000 in the third year.

Through June, 2004, 33 health care providers had participated in the program. The health care provider loan assistance program is funded through the Department of Commerce's physician, dental, and health provider loans appropriation; funding for the appropriation is \$488,700 PR and \$200,000 FED in 2004-05.

Repayable Loan Programs

1. Perkins Loan (Federal). This is a campus-based program, formerly known as the National Direct Student Loan, that provides federally-funded loans at 5% interest to help students pay for educational costs. Each participating educational institution is required to match federal funds with an amount equal to either 25% of the institution's total federal and institutional funding for the loans or one-third of the federal contribution. Repaid loans become part of a revolving account from which new loans are made. To be eligible, students must enroll at least half-time in an undergraduate or graduate program. Awards are based on financial need, the availability of funds and the amount of other aid a student receives.

The maximum amount that may be borrowed under the Perkins Loan program is \$4,000 annually for undergraduates, with a maximum total of \$20,000 for undergraduate study, and \$6,000 per year for graduate students, with a maximum total of \$40,000 including any amounts borrowed as an undergraduate. Interest does not accrue while the student is in school and repayment does not begin until nine months after one's studies are completed. Depending upon the size of the loan, students have up to ten years to repay. Up to 100% of

a Perkins loan may be forgiven if, upon graduation, the borrower is employed in a specified field such as teaching in a Head Start program or low-income school or nursing. In addition, borrowers in the Armed Forces may have 50% of their loans forgiven for each year of consecutive service in an area of hostility or imminent danger. In 2002-03, a total of \$28.6 million was provided to 15,568 students, with loans averaging \$1,840.

2. Stafford Student Loan (Federal). The SSL (formerly the Guaranteed Student Loan) is a low-interest loan provided by a private-lender such as a bank, credit union or savings and loan association to help finance educational costs. These loans are insured by a guarantee agency, such as the Great Lakes Higher Education Corporation (GLHEC) for Wisconsin, and reinsured by the federal government. Students who are enrolled at least half-time in an undergraduate or graduate program are eligible. If financial need is demonstrated, students may qualify for a "subsidized" loan; if not, they may receive an "unsubsidized" loan. The difference between these two loans is that for subsidized loans, the federal government pays the interest on the loan while the student is in school or in deferment.

Under the subsidized loan program, dependent undergraduate students may borrow up to \$2,625 the first-year, \$3,500 the second year and \$5,500 in subsequent years up to a maximum of \$23,000. Independent students may borrow up to \$6,625 the first year, \$7,500 the second year and \$10,500 in subsequent years up to a maximum of \$46,000. However, these loans may be subsidized only up to the maximum amounts available for dependent students. Graduate and professional students may borrow up to \$18,500 each year up to a maximum of \$138,500. Of this amount, only \$8,500 annually may be in the form of subsidized loans.

Subsidized and unsubsidized Stafford loans are subject to a two-tier variable interest rate structure capped at 8.25%. The current formula sets the interest rate for any Stafford loan first disbursed on

or after July 1, 1998 at 1.7 points above the average, three-month Treasury bill rate for borrowers who are in school, grace and deferment periods. The interest rate for loans that are in forbearance or repayment is set at 2.3 points above the average, three-month Treasury bill rate. For the period July 1, 2004, through June 30, 2005, the interest rate for loans in repayment is 3.37%. The loans also carry a loan origination fee of 3% as well as a loan guarantee fee of 1%. Loan repayments may be deferred up to three years in the event of economic hardship, and be canceled in the event of the death or permanent disability of the borrower. The Stafford Student Loan program remains the largest federal loan program in Wisconsin. In 2002-03, 73,039 Wisconsin undergraduate received Stafford Loans averaging \$2,773, for a total value of \$202.5 million.

3. Parent Loans for Undergraduates (Federal). This non-need based loan program is made by private lenders to parents of dependent students who are enrolled at least half-time. Like the Stafford Loan program, PLUS loans can only help finance educational costs and are provided by private lenders who are insured by GLHEC and reinsured by the federal government. The amount borrowed cannot exceed the difference between the student expense budget and all other financial aid. The interest is a variable rate based on the three-month Treasury bill and is adjusted annually with a cap of 9%. For 2004-05, the interest rate is 4.17%. Unlike the Stafford Student Loan, the federal government does not pay the interest while the student is in school. Generally, borrowers have at least five, but no more than 10 years to repay the loan. Borrowers may defer payments of the principal, and accrue interest, while in school or due to circumstances of economic hardship. If either the borrower or the child of the borrower dies, the loan may be forgiven.

4. Federal Direct Student Loan (Federal). This program consists of Federal Direct Stafford Loans (subsidized and unsubsidized) and Federal Direct PLUS loans. The difference between these loans and their counterparts previously described

is that the U.S. Department of Education is the lender, rather than a bank or credit union, and delivers loan proceeds through the school. Direct Loans were first made for periods of enrollment beginning on or after July 1, 1994. In 2004-05, four UW institutions (Milwaukee, Eau Claire, Superior, and Whitewater), and five private colleges (Concordia University, Lawrence University, Marquette University, Northland College, and Saint Norbert College) offer direct student loans. In addition to the traditional fixed payment option, other options are available, including extended payment, graduated payment with smaller payments initially, and income contingent repayment with payments determined by borrower and spouse income.

5. Consolidation Loan (Federal). This program allows the borrower to replace Stafford, Perkins, and Federal Direct Student Loans with one loan having a lower payment than the total payments on the original loans. Parents may also be able to consolidate PLUS loans. Three payment options (fixed, graduated and income-contingent) are available. The interest rate on a consolidation loan is the weighted average of the interest rates on the original loans, rounded up to the nearest 1/8%. By law, the interest rate cannot exceed 8.25%.

6. Personal Loan Program (Veterans Affairs). Under the personal loan program, eligible veterans may receive a low-interest loan of up to \$5,000 (reduced by administrative rule from \$25,000 in 2003-04) for up to 10 years for a variety of purposes, including the education of a veteran, spouse, or children. The interest rate charged for these loans at the beginning of the 2004-05 fiscal year was 5% for loans secured by a Wisconsin mortgage and was 8% for loans secured by a guarantor. The personal loan program was created by 1997 Act 27 and replaced the veterans consumer loan program and the veterans economic assistance loan program, both of which could be used for educational purposes. Veterans received 87 loans under this program for educational purposes in 2003-04. These loans totaled \$450,500 and averaged \$5,177 each.

Scholarship Programs and Institutional Aid

Scholarship money may come from a variety of governmental and private sources. For example, the Byrd Scholarship is a federally-funded award given to selected high school graduates for their first year of college studies. In addition, students may receive a National Merit Scholarship or scholarships funded by local civic or religious groups. The academic excellence scholarship is the only current state-supported financial aid program that is not need-based.

1. Academic Excellence Higher Education Scholarships (HEAB). This program provides scholarships to selected 12th grade students who have the highest grade point average (GPA) in each public and private high school in the state. The number of scholarships for which each high school is eligible is based on total student enrollment. One scholarship is awarded to each high school with an enrollment of between 80 and 499 students. If a high school has an enrollment of 500 students or more, scholarships are awarded as follows: 500-999 students--two scholarships; 1,000-1,499--three scholarships; 1,500-1,999--four scholarships; 2,000-2,499--five scholarships; and over 2,500, six scholarships.

For those high schools with total enrollments of less than 80 students, no more than 10 scholarships, in aggregate, may be awarded. Under HEAB administrative rule, the 10 students with the highest GPAs are awarded scholarships. In the event of a tie, eligible students are ranked according to ACT or SAT scores. If a tie still remains, students are chosen based on the quality and content of letters submitted by the students indicating the reasons they feel qualified to receive the scholarship.

For those high schools with enrollments greater than 80 students, the faculty of each public or private high school is required to name the 12th grade student who has the highest GPA, as it is normally determined by that high school, as eligible to receive a scholarship. Except under certain circum-

stances, if two or more students in the same high school have the same GPA, the faculty is required to select the student to receive the scholarship and designate the other student as an alternate. HEAB administrative rules require each high school to have a written policy that describes tie-breaking procedures and criteria used to determine and rank scholars. If the student who is initially selected does not use the scholarship by September 30 following high school graduation, the scholarship is awarded to the alternate. In most cases, the alternate scholar must have the same GPA as the originally designated scholar or scholars. However, a provision in 1999 Act 9 specified that this requirement does not apply to a high school that applies different weights to courses to determining each student's GPA. For these schools, if there are no other senior students with the same GPA as the originally designated scholar, the senior with the next highest grade point average would be named the alternate scholar. In 2003-04, 158 alternates received scholarships.

In order to receive a scholarship, a student must be enrolled at a participating UW, Wisconsin Technical College or private, nonprofit postsecondary institution in the state by September 30 of the academic year following the year in which the student graduated from high school. The student must enroll on a full-time basis. Scholars receive a maximum of \$2,250 per year. Half of the scholarship is funded by the state from a GPR sum sufficient appropriation, while the other half is matched by the institution. Tuition and fees in excess of \$2,250 are paid by the student. UW System institutions may use tuition remissions as part of the institutional match.

For each year the student is enrolled full-time, he or she must maintain at least a 3.0 cumulative grade point average and make satisfactory progress toward an associate or a bachelor's degree. Therefore, a student may lose, and then regain program eligibility as their cumulative grade point fluctuates. No student is eligible for a scholarship for more than four years at a UW or private, non-

profit postsecondary institution or for more than three years at a Wisconsin Technical College.

In 2003-04, a total of 2,911 academic scholars were enrolled in eligible schools: 791 freshmen, 724 sophomores, 696 juniors, and 700 seniors. The total value of the scholarships was \$6,289,346. The enrolled students represent approximately 84% of the 3,479 available scholarships. At the end of the 2003-04 academic year, reports from postsecondary institutions indicated that 89 students lost eligibility by not maintaining a 3.0 GPA and 81 lost eligibility for not carrying a sufficient number of credits. In 2004-05, of the 880 freshman scholarships available, 680 (77%) of the eligible recipients have indicated that they will enroll in Wisconsin institutions. Approximately 88 alternate scholarships were awarded, in part, as a result of eligible scholars enrolling in non-Wisconsin institutions. Table 9 details Academic Excellence Scholarship recipients by campus for the past four years.

In 2003-04, \$3,144,673 GPR was expended by HEAB on these scholarships. In addition, the UW System provided approximately \$2.6 million as part of its required institutional match, which was covered by tuition remissions.

2. UW Institutional Financial Aid. In 2003-04, UW students received approximately \$34.4 million from institutionally funded financial aid grant, loan and work programs through gifts and donations, trust funds, and the UW Alumni Research Foundation. The largest campus-based programs were at Madison (\$30.9 million), Oshkosh (\$725,500), and Milwaukee (\$600,700).

3. Technical College Institutional Financial Aid. Technical colleges offer institutional assistance to students through grants from technical college foundations and student employment. For 2002-03, technical colleges provided approximately \$1.1 million in institutional assistance to students. Of this aid, approximately \$50,000 was provided as need-based grants and \$1,032,000 was provided in

the form of non-need-based employment, grants, scholarships and loans.

Table 9: Enrollment Data for Academic Scholars Attending Wisconsin Postsecondary Institutions

	2000-01	2001-02	2002-03	2003-04
UW System				
Madison	1,388	1,440	1,469	1,517
Milwaukee	106	100	103	107
Eau Claire	129	140	144	148
Green Bay	51	57	60	67
La Crosse	134	136	130	150
Oshkosh	50	57	66	71
Parkside	16	15	18	23
Platteville	83	81	76	74
River Falls	41	46	54	49
Stevens Point	101	103	105	94
Stout	36	38	33	28
Superior	12	12	12	14
Whitewater	62	55	57	47
Colleges	<u>18</u>	<u>21</u>	<u>17</u>	<u>16</u>
Subtotal	2,227	2,301	2,344	2,405
WI Technical Colleges	12	18	24	22
Independent Colleges				
Alverno	3	5	8	3
Bellin	3	1	0	3
Beloit	10	11	13	12
Cardinal Stritch	4	4	7	5
Carroll	39	33	31	30
Carthage	8	13	8	10
Concordia	12	9	10	15
Edgewood	6	5	10	10
Lakeland	5	5	4	6
Lawrence	36	43	43	45
Maranatha	6	9	9	8
Marian	5	4	4	3
Marquette	136	138	155	150
Milw. Art & Design	1	1	0	1
Milw. Sch. of Engineering	37	46	47	43
Mount Mary	4	3	5	4
Mount Senario	1	1	0	0
Northland	3	4	4	8
Ripon	23	23	29	30
St. Norbert	57	70	66	66
Viterbo	15	9	10	13
Wisc. Lutheran	<u>17</u>	<u>25</u>	<u>20</u>	<u>19</u>
Subtotal	431	462	483	484
TOTAL	2,670	2,781	2,851	2,911

4. Aid Provided by Independent Colleges and Universities for Resident Undergraduates. For 2002-03, need-based financial aid provided by individual private colleges and universities in Wisconsin to resident undergraduate students totaled \$67.5 million, or approximately 37% of the total need-based aid provided to resident undergraduates attending independent colleges. This aid consisted of \$66.4 million in institutional grants, \$0.6 million in institutional loans, and \$0.5 million in institutional work-study. In addition, independent colleges provided \$38.0 million in non-need-based employment, grants, scholarships and loans in 2002-03.

Special Programs

1. Minnesota-Wisconsin Reciprocity Program. This agreement allows Minnesota and Wisconsin residents to attend public postsecondary institutions in the adjacent state without having to pay nonresident tuition. Students participating under the agreement pay a reciprocal fee that cannot exceed the higher of the two states' resident tuition rates. The agreement is negotiated and administered jointly by HEAB and the Minnesota Higher Educational Services Office (MHESO). While the agreement is not included in the Minnesota statutes, Wisconsin law specifies that the agreement is subject to the approval of the Joint Committee on Finance. In addition, HEAB and MHESO are required to jointly prepare an annual administrative memorandum that establishes the policies and procedures for implementation of the agreement, including a description of how the reciprocal fees will be calculated for the upcoming academic year. The administrative memorandum is subject to the approval of the Joint Committee on Finance under a 14-day passive review process. While the current agreement does not contain a specific expiration date, it may be modified at any time upon mutual agreement of both states. Additional details on this agreement are contained in the Legislative Fiscal Bureau's informational paper entitled, "Education and Income Tax Reciprocity Agreements."

2. UW System Nonresident Tuition Remissions. Current law permits the Board of Regents to remit the nonresident portion of tuition for a number of students including: (1) those on athletic scholarships; (2) needy and worthy students on the basis of merit, not to exceed an amount equal to full remissions for 8% of the number of nonresident students registered at that institution in the preceding year; (3) up to an additional 2% of nonresident students as in "(2)" who are deserving of relief due to extraordinary circumstances; and (4) needy and worthy foreign or non-U.S. resident students who are citizens, not to exceed 2% of a campus' FTE enrollment. Regents also remit nonresident tuition for students enrolled under the tuition award programs at the Superior and Parkside campuses.

In 2003-04, 3,433 students received these remissions, which amounted to \$22.6 million. About 54% of this amount was for the "Regents' Nonresident 8%" and the "Regents' extraordinary 2%." Other nonresident recipients of remissions included athletes receiving scholarships (14%) and foreign students (19%).

3. UW System Tuition Remissions for Graduate Assistants. Prior to 1997-98, the Board of Regents was allowed to remit the nonresident portion of graduate students' tuition provided those students held fellowships or were employed by the University with at least a 33% appointment as UW faculty, instructional academic staff or assistants. The 1997-99 state budget (1997 Act 27) expanded this provision to include resident graduate assistants and to provide remissions of all tuition, rather than just the nonresident portion. The intent of this modification was to allow UW institutions, particularly UW-Madison and UW-Milwaukee to compete more effectively with other institutions in the recruitment and retention of these students. Institutions in other states generally provide lower salaries, but remit all tuition.

Beginning with the 1997-98 Spring semester, UW-Madison and UW-Milwaukee have provided

full remission of resident and nonresident tuition for teaching assistants and program/project assistants as part of the collective bargaining agreements for these groups. Research assistants also receive full remissions at Madison and remissions of up to \$100 per semester at Milwaukee. Graduate assistants at the other four-year campuses in the UW System currently receive remissions of \$50 per semester. At the time these remissions were provided, the salaries of these students were also reduced. For 2003-04, a total of 10,450 graduate assistants and fellows received approximately \$69.5 million in remissions. Of these, 2,239 students were residents who received remissions totaling \$8.8 million. Almost 87% of graduate students who received remissions under this provision were employed at UW-Madison while approximately 10% attended UW-Milwaukee.

4. Tuition Remissions for Children and Spouses of Certain Protective Services Officers. Current law requires UW and WTCS institutions to grant full remission of fees, including tuition and student segregated fees, to any resident student who is enrolled in a college parallel program or a program leading to a bachelor's degree, associate degree or vocational diploma and who is the child or spouse of a correctional officer, fire fighter, law enforcement officer, ambulance driver, or emergency medical services technician who was killed in the line of duty in this state. In order to be eligible to receive the remission, a child must have been under the age of 21 or not yet born when his or her parent was killed. In 2004-05, \$30,000 GPR is provided to the Board of Regents, and \$14,300 GPR to the WTCS Board to cover the cost of the remissions. In 2003-04, remissions totaled \$2,800 for four UW students and \$5,900 for three WTCS students.

5. College Work-Study (Federal). This program is a campus-based program that provides part-time jobs for undergraduate and graduate students. Students may be employed by the institution, public or non-profit employers, and must be paid the federal minimum wage. In most cases, the employer provides 25% of the student's salary. The

award amount is based on financial need, availability of funds, and the amount of aid the student receives from other programs. Earnings from work-study jobs are not included in the student's income when reapplying for financial aid in subsequent years. In 2002-03, a total of \$15.6 million was provided to 12,539 students, averaging \$1,247.

6. EdVest Wisconsin Program. Prior to January, 2003, the EdVest Wisconsin Program consisted of two separate programs: (a) the college tuition and expenses program (also known as the tuition unit purchase program) that was created by 1995 Act 403 and was first available beginning July 1, 1997; and (b) the college savings program, which is an educational savings plan offering a range of investment options. These programs are collectively known as the EdVest Program and are managed by the State Treasurer's Office.

College Tuition and Expenses Program. As permitted under the law, the State Treasurer elected effective December 20, 2002, to terminate any future enrollments in the EdVest Program's original tuition unit option and to curtail the sale of any new tuition units to current account holders. Current tuition unit account holders may continue to hold their current tuition unit investments until maturity or may convert their account to any of the investment options now offered under the college savings program described below. As of June 30, 2004, under this program there were a total of 1,433 accounts with total assets of \$9,021,000.

College Savings Program. This program was initially established by 1999 Act 44 and subsequently further modified by 2001 Act 7. The EdVest college savings program is a qualified state tuition program under Section 529 of the U.S. Internal Revenue Code and is designed as a savings vehicle for higher education expenses. It is administered by the Office of the State Treasurer under the authority of the College Savings Program Board. The Board is composed of 11 members (the State Treasurer, the President of the University of Wisconsin Board of Regents, the President of the Wisconsin Association

of Independent Colleges and Universities, the President of the Wisconsin Technical College System, the Chair of the State Investment Board and six public members appointed by the Governor to four year terms). Day to day management of the program is contracted to Wells Fargo Funds Management, LLC, which is responsible for the program's investment management, marketing activities, account administration and record-keeping. In addition, a somewhat different version of the program, called tomorrow's scholar college savings plan, is also offered jointly by Wells Fargo and American Express Financial Corporation.

Under either of the programs, any person aged 18 or over may open an account and the beneficiary of an account may be anyone, even the account owner. There may be only one beneficiary per account, but a person may open any number of accounts. There is no state residency requirement or income limitation on the person opening the account. A minimum initial investment of \$250 is required unless an automatic investment plan is selected. There is no limit on the maximum annual contribution except that the maximum amount that may be contributed to an account is \$246,000. The beneficiary of an account may use the proceeds of the account at any eligible post-secondary school in this country or elsewhere. The money may be used for a wide-range of educational expenses such as tuition and other fees, room and board, and educational supplies.

The investment options under the two programs vary somewhat. Under the EdVest college savings program, there are currently 10 investment options. There are nine different portfolio options: Vanguard Stock Index Portfolio (invests entirely in the Vanguard Institutional Index Fund); Vanguard Balanced Portfolio (invests entirely in the Vanguard Wellington Fund); Legg Mason Aggressive Portfolio (invests entirely in the Legg Mason Special Investment Trust Fund); Strong Aggressive Portfolio (invests primarily in international and U.S. stock funds); Strong Moderate Portfolio (invests primarily in U.S. stock funds); Strong Balanced Portfolio (in-

vests in both stock and bond funds); Strong Bond Portfolio (invests only in bond funds); Baird Bond Portfolio (invests entirely in the Baird Aggregate Bond Fund); and Strong Stable Value Portfolio (invests in fixed-income investments plus an insurance-wrapper feature).

There is also an age-based option, where the contributions in the account are periodically shifted (based on the number of years remaining before the account beneficiary will be enrolled in a higher educational institution) among fund portfolios as follows: 10 or more years to college – aggressive portfolio; seven to nine years to college – moderate portfolio; three to six years to college – balanced portfolio; and less than three years to college – stable value portfolio. These portfolio offerings are all currently invested in various Strong Funds which will continue to be available through Wells Fargo as Wells Fargo Funds.

Under the tomorrow's scholar college savings plan, there are currently six investment options. There are three different portfolio options: aggressive, balanced and conservative. There are also three different age-based (years to enrollment) options (which blend various equity percentage portfolios, based on the number of years to college for the beneficiary), under an aggressive, moderate or conservative growth approach. In this program, each portfolio is aimed at meeting its objectives by investing primarily in a variety of mutual funds offered by American Express Financial Advisors, Inc., and Wells Fargo.

Under either of the two programs, only one investment option per account may be selected. However, a different investment option for an account may be selected once during any 12-month period.

Under current law, Wisconsin residents who make a contribution to an EdVest college savings program account (including the tomorrow's scholar program) that they have established for their de-

Table 10: College Savings Program Summary of Portfolio Expenses Assessed as % of Account Assets

	<u>Administrative Fee</u>		<u>Underlying</u>	<u>Expense Total</u>
	<u>State</u>	<u>Account Manager</u>	<u>Fund Expense</u>	
Baird Bond	0.10%	0.30%	0.30%	0.70%
Legg Mason Aggressive	0.10	0.30	0.75	1.15
Strong Aggressive	0.10	0.30	1.01	1.31
Strong Moderate	0.10	0.30	0.83	1.13
Strong Balanced	0.10	0.30	0.75	1.05
Strong Bond	0.10	0.30	0.45	0.75
Strong Stable Value	0.05	0.30	0.50	0.75
Vanguard Balanced	0.10	0.30	0.23	0.63
Vanguard Stock Index	0.10	0.30	0.05	0.45

pendent child or for their grandchild, great grandchild, niece or nephew, may claim a Wisconsin state income tax deduction of up to \$3,000 annually per beneficiary for such contributions. Investment earnings and distributions from an account established through a qualified tuition program, including such programs sponsored by EdVest, by other states, and, effective with tax year 2004, by private institutions, are exempt from both federal and Wisconsin income taxes if the withdrawals are used for qualified higher education expenses.

Under the EdVest college savings program, there is a \$10 per year account maintenance fee (which is waived if an automatic deduction plan has been elected or the account balance is above \$25,000). In addition, there is an annual assessment fee levied, based on percentage amounts that vary based on the fund or funds selected and levied against the total assets in the account invested in the respective investment option. The Table 10 shows the composition and total amount of the assessment fee for each of the available portfolios under this program.

Under the tomorrow's scholar program, there is a \$15 per year account maintenance fee (which is waived if an automatic deduction plan has been elected or the account balance is above \$25,000). In addition, there is an annual assessment fee levied, based on percentage amounts that vary based on the fund or funds selected and levied against the total assets in the account invested in the respective in-

vestment option. Table 11 shows a summary of the fees charged for the tomorrow's scholar program.

As of June 30, 2004, there were a total of 92,270 accounts open in the college savings program with total assets of \$514,532,200 and a total of 86,104 accounts open in the tomorrow's scholar program with total assets of \$665,039,500. Of the 92,270 accounts open in the college savings program, 92% (85,022 accounts) were owned by Wisconsin residents and/or were for beneficiaries who were Wisconsin residents. Of the 86,104 accounts open in the tomorrow's scholar program only 6% (5,382 accounts) were owned by Wisconsin residents and/or were for beneficiaries who were Wisconsin residents.

7. Wisconsin Educational Opportunity Programs (Public Instruction). The Department of Public Instruction administers five statewide programs and one federal program whose primary goal is to assist minority and economically disadvantaged middle school and high school students in pursuing postsecondary educational opportunities. Currently, students in all school districts are counseled through seven district offices located in Ashland, Eau Claire, Green Bay, Madison, Milwaukee, Racine, and Wausau. A total of 35.1 full-time equivalent (FTE) positions, including 12.7 GPR positions, are currently authorized for WEOP. In 2003-04, \$1,031,200 GPR was expended to operate the district offices. One of the five programs,

the talent incentive program, was discussed earlier in this paper. The other four programs are:

Talent Search Program. Counselors assist high school students and adults in defining educational goals, applying and enrolling in postsecondary institutions and obtaining financial aid. WEOP staff members also work with institutions, schools, community organizations, and churches by giving presentations and acting as a resource for materials and information. In 2003-04, WEOP staff provided 11,075 individual counseling sessions to students.

Early Identification Program. WEOP annually identifies and recruits economically disadvantaged eighth-grade students to participate in this program which provides early intervention services to students in order to reduce attrition at the secondary and postsecondary levels. Program staff work with eighth- through twelfth-grade students, their parents, and schools to address the problem of low matriculation through long-term counseling and career goal assessment. Students remain in the program throughout high school and into college. Of the 612 students in the program in 2003-04, 139 were seniors. Of these seniors, 80 enrolled at postsecondary institutions. Each year, many of these students are selected to receive TIP grants.

Minority Precollege Scholarship Program. This program provides grants to minority middle school and high school students to cover full stu-

Table 11: Tomorrow's Scholar Program Summary of Portfolio Expenses Assessed as % of Account Assets

Portfolio	Administrative Fee		Underlying Fund Expense	Portfolio Expense Total
	State	Account Manager		
Fixed Options				
Aggressive Portfolio	0.15%	0.10%	0.98%	1.23%
Balanced Portfolio	0.15	0.10	0.83	1.08
Conservative Portfolio	0.15	0.10	0.72	0.97
Years to Enrollment Options				
Aggressive Growth Track	0.15	0.10	1.09	1.34
Moderate Growth Track	0.15	0.10	0.89	1.14
Conservative Growth Track	0.15	0.10	0.76	1.01

Note: The portfolio expenses listed above do not include sales charges and fees required to be paid to financial advisors who sell the fund shares.

dent costs of precollege programs, including courses, books, supplies and room and board, if necessary. In an agreement with the federal government, the Department of Public Instruction indicated that the program will be open to all low-income pupils in the future. Precollege programs which emphasize academic skills development, career guidance, curriculum enrichment and financial aid information are offered to eligible students through UW campuses, Technical Colleges and private colleges. The student must first be admitted to a precollege program to qualify for a scholarship. In 2003-04, approximately 4,900 middle and high school students received a total of \$2,177,500 to fund their participation in precollege programs statewide. These students participate in programs administered by UW campuses, technical colleges and private colleges. All 426 school districts are eligible to participate in the program.

Gear Up Program. Since 1995-96, WEOP has administered this federal program. In 2003-04, 175 low-income students received a total of \$338,700 in college and precollege scholarships under the program. An additional \$316,500 was distributed to the seven WEOP district offices to support activities such as college visitations and parental involvement programs.

Tax Incentives

1. Higher Education Tax Deduction (State). Since tax year 1998, state law has allowed up to \$3,000 in tuition expenses to be deducted from income. The deduction applies to tuition paid on behalf of the taxpayer or the taxpayer's dependent. Allowable tuition expenses include tuition paid to attend any university, college, technical college, or a school approved by the Education Approval Board that is located in Wisconsin or to attend a public vocational school or public institution of higher education in Minnesota under the Minnesota-Wisconsin tuition reciprocity agreement.

The maximum deduction of \$3,000 is available to all single taxpayers with federal adjusted gross

income of \$50,000 or less, married-joint taxpayers with federal AGI of \$80,000 or less, and married-separate taxpayers with income of \$40,000 or less. The amount of the deduction phases out as income increases and is eliminated when income exceeds \$60,000 for single taxpayers, and \$100,000 for married taxpayers filing joint, and \$50,000 if married filing separate returns.

2. Higher Education Tax Deduction (Federal). For tax years 2004 and 2005, a federal deduction for qualified higher education expenses is also available. For 2004 and 2005, the deduction is limited to \$4,000 of qualified expenses and is available to single taxpayers with income less than or equal to \$65,000 (\$130,000 for married couples filing joint returns). A deduction of up to \$2,000 is provided for taxpayers with income between \$65,000 and \$80,000 (\$130,000 and \$160,000 for joint filers) for tax years 2004 and 2005. The federal higher education tax deduction is eliminated after 2005.

The deduction is not available to married taxpayers filing separately or to an individual who can be claimed as a dependent by another taxpayer. To be eligible for the deduction, the taxpayer's tax return must include the name and taxpayer identification number of the student for whom the qualified expenses were paid (unlike the state higher education tax deduction, the student need not be the taxpayer or taxpayer's dependent).

3. HOPE Scholarship Tax Credit (Federal). Hope credits are available to individuals who pay qualified tuition and related expenses of higher education for either themselves or a dependent. Degree-seeking students who are enrolled at least half-time and are in one of the first two years of college are eligible for a tax credit of up to 100% of the first \$1,000 and 50% of the second \$1,000 in tuition expenses. Eligible expenses include tuition and required fees less any grants, scholarships or other tax-free financial assistance. For tax year 2004, the credit is gradually phased out for taxpayers with taxable incomes between \$42,000 and \$52,000 (for single filers) and between \$85,000 and \$105,000 (for

joint filers). The maximum credit amounts as well as the income limits are indexed for inflation.

4. Lifetime Learning Tax Credit (Federal). Tax filers may claim a lifetime learning tax credit if they pay qualified tuition and related expenses of higher education for an eligible student, either themselves, a spouse, or a dependent that is claimed as an exemption. Students beyond the first two years of college or those enrolled for less than half-time are eligible for a 20% tax credit on the first \$10,000 in expenses. Eligible expenses include tuition and required fees less any grants, scholarships or other tax-free financial assistance. The credit is gradually phased out for taxpayers with taxable incomes between \$42,000 and \$52,000 for single filers, and between \$85,000 and \$105,000 for joint filers.

5. Deduction for Higher Education Expenses (Federal). In tax year 2004, a deduction for qualified higher education expenses will be available to tax filers who do not qualify for the Hope and lifetime learning credits because their adjusted gross income exceeds the phase out thresholds for those programs if the taxpayers adjusted gross income is less than \$65,000 for single filers and \$130,000 for joint filers. Individuals may deduct up to \$4,000 for qualified tuition and related expenses for themselves, a spouse or a dependent.

6. Coverdell Education Savings Accounts (State and Federal). Married taxpayers filing joint tax returns and individual filers (including the beneficiary) may contribute up to \$2,000 per designated beneficiary per year to a Coverdell Education Savings Account (CESA, formerly called an Education IRA). There are no relationship requirements between the contributor and the beneficiary. While contributions are not deductible from income, interest earnings are tax exempt and withdrawals are excluded from the beneficiary's income if used for eligible education expenses. Under coordination rules with other tax deductions and credits for education, qualified expenses for purposes of a CESA are reduced to reflect other educa-

tion tax benefits taken.

The ability of an individual to make a contribution to a CESA is gradually phased out for contributors with taxable income between \$95,000 and \$110,000 (between \$190,000 and \$220,000 for joint filers). Starting with tax year 2002, funds from a CESA may be used to pay for qualified elementary and secondary education expenses in addition to qualified higher education expenses.

7. IRA Withdrawals (Federal). Early (before age 59½) withdrawals from a traditional IRA are not subject to the 10% tax penalty provided the distributions are used for postsecondary education expenses of the taxpayer, spouse, child or grandchild.

8. Student Loan Interest Deduction (State and Federal). An individual may deduct up to \$2,500 for interest paid on student loans during the life of the loan. The deduction is phased out for single filers with taxable income between \$50,000 and \$65,000 and for joint filers with taxable income between \$100,000 and \$130,000.

9. Employer-Provided Education Benefits (State and Federal). Taxpayers may exclude from their taxable income up to \$5,250 in educational assistance benefits received from their employer. Eligible benefits include payments for tuition, fees, books, supplies and equipment. Courses do not have to be related to the business of the employer.

Financial Aid Package

After a student applies for financial aid, the college attempts to meet as much of a student's need as possible by the offer of a financial aid package. Institutional financial aid officers are responsible for packaging a student's financial aid based on the needs analysis. Packaging is the selection of various types and amounts of aid which enable a stu-

dent to pay for educational costs. Some elements of a financial aid package are automatically included such as Pell Grants, which are determined at the time the parental contribution is determined by the federal processor, and WHEG and tuition grants which have been calculated by HEAB. On the other hand, programs such as Supplemental Educational Opportunity Grants, College Work Study, Perkins Loans and institutional grants are controlled and distributed by an institution's financial aid office. However, the amount of these awards is dependent upon the amount of Pell Grant, WHEG or TG awarded. Federal law allows greater latitude to aid officers in making changes to student contribution levels which may affect award amounts.

The financial aid package represents an attempt to rationalize and simplify the distribution of monies to students. The package is also developed in a hierarchy. For example, grants and scholarships are more desirable than loans and are, therefore, applied first to reduce a student's need. One exception to this rule is state grant programs for minority/disadvantaged students. These are added last to the financial aid package, replacing federal loan aid with state grant aid. For 2002-03, grant funds accounted for 51.2% of need-based financial aid, with loans at 42.6% and work-study at 3.0%. This ratio varies by the type of institution attended: grants account for 65.0% of the aid at independent colleges (where costs, and consequently need is the highest), 59.8% at technical colleges, and 38.9% at UW campuses.

This package is not the final step in the aid process, however, since the financial aid office does not control the distribution of guaranteed student loans from private lenders, although they do calculate a maximum loan. Finally, a student is under no obligation to accept the entire package. For example, a student could accept the grant and work-study aid but refuse the loans. Students must be registered for classes before aid can be issued to them at the beginning of a semester. They are also required to pay their tuition and fees with the proceeds of the aid before the remaining aid is given to

them.

Table 12 compares the average cost, need and need-based aid over the most recent five-year period for which information is available, by type of institution. While the average cost of attending a UW institution is only 16% greater than the cost of attending a Technical College, on average, the UW student receives approximately 56% more aid. The unmet need of a technical college student is almost twice as high as that of a student attending a UW institution and approximately 50% higher than private college students. Some of the differences may be explained by the types of student attending technical colleges, for example more students are part-time and independent, which affects their eligibility for certain federal aid programs, and both private colleges and the UW System have more institutional and private aid available to students.

Interstate Comparisons

The appendix to this paper shows the relative importance of need-based and total financial aid in state higher education budgets for 2002-03. Wisconsin is lower than the national averages in need-based grants per full-time undergraduate student (\$354), total aid (\$467), the percent of students receiving aid (24.8%), and aid as a percentage of state general funds for higher education (6.5%); nonetheless, Wisconsin ranks in the upper half of all states in all four areas. Wisconsin's ranking has been relatively stable over the past few years.

Different financial aid programs accommodate a range of policy objectives. Need-based grant programs are generally used to help equalize participation in higher education across income levels. Merit based aid, such as the academic excellence scholarship program in Wisconsin, encourage better high school performance. Loans, primarily offered by the federal government, help

Table 12: Financial Aid Data by Institution Type: Resident Undergraduates

	No. of Recipients	Avg. Cost	Avg. Contribution	Avg. Need	Avg. Aid	Unmet Need
UW System						
1998-99	47,475	\$8,929	\$2,915	\$6,014	\$4,334	27.9%
1999-00	44,260	9,516	3,298	6,217	4,632	25.5
2000-01	43,024	9,865	3,344	6,521	4,853	25.6
2001-02	44,404	10,324	3,541	6,783	5,031	25.8
2002-03	46,601	10,911	3,670	7,241	5,290	26.9
Technical Colleges						
1998-99	29,944	\$7,990	\$2,905	\$5,085	\$2,633	48.2%
1999-00	27,914	8,581	2,963	5,617	2,957	47.4
2000-01	26,883	9,155	2,830	6,325	3,139	50.4
2001-02	29,049	9,698	2,772	6,926	3,306	52.3
2002-03	32,753	9,403	2,631	6,773	3,393	49.9
Private Colleges						
1998-99	17,493	\$17,592	\$6,339	\$11,253	\$7,633	32.2%
1999-00	17,870	18,703	6,866	11,837	7,871	33.5
2000-01	18,703	18,910	7,232	11,678	8,068	30.9
2001-02	18,679	20,024	7,982	12,042	8,902	26.1
2002-03	19,900	21,553	7,674	13,880	9,232	33.5

students and families bridge the financial gap to future earnings. Finally, categorical aid, such as nursing or health professional grants target specific professions or student populations for grants or loans.

Funding for student financial aid among the states is an accumulation of both financial aid and tuition policy decisions. Some states, particularly in the South and Mountain West, have been "low aid-low tuition" states, while Wisconsin and other Midwestern states have followed a medium tuition-medium aid policy, and Northeastern states had a high tuition-high aid policy. Table 13 shows flagship public university tuition in Midwestern states for 2002-03, the estimated state-funded need-based grants funds available to students, and the grants as a percent of tuition. Illinois, Indiana, Minnesota, and Iowa, all surpass Wisconsin by providing need-based grants greater than the 6.7% of tuition provided by Wisconsin.

Table 13: Tuition at Flagship Universities and Estimated Need-Based State Undergraduate Grant Dollars per Undergraduate Enrollment (2002-03)

	Resident Undergraduate Tuition-Fees	Estimated Grant Dollars per FTE**	Grants as % of Tuition
Illinois	\$6,704	\$735	11.0%
Indiana*	5,315	567	10.7
Minnesota	6,286	632	10.0
Iowa	4,191	341	8.1
Wisconsin	4,423	298	6.7
Ohio	5,691	320	5.6
Michigan*	7,960	255	3.2

Notes:

* University of Indiana and University of Michigan tuition and fee rates.

** Grant dollars per FTE data from National Association of State Student Grant and Aid Programs.

APPENDIX

2002-03 State Grant Dollars to Undergraduate Students by State

	<u>Grants Per Full-Time Student</u>		<u>% of Students Receiving Aid</u>	<u>Aid as % of State Higher Ed. Funds</u>
	<u>Need-Based Aid</u>	<u>Total Aid</u>		
New York	\$1,007	\$1,033	38.9%	19.6%
New Jersey	783	887	34.0	12.7
Pennsylvania	738	738	31.7	17.5
Illinois	735	794	32.0	13.5
Minnesota	632	632	42.1	10.3
Vermont	616	616	41.9	22.1
Indiana	567	571	24.5	16.5
Washington	483	489	29.1	8.9
Texas	429	434	27.5	7.1
California	367	367	10.4	6.0
Iowa	341	344	15.0	6.8
Kentucky	338	717	65.8	10.6
Ohio	320	478	46.2	10.2
Massachusetts	308	308	35.4	9.0
Maine	303	303	30.7	5.6
Wisconsin	298	311	24.8	6.5
West Virginia	266	405	33.5	10.1
Virginia	261	410	30.1	8.6
Michigan	255	255	33.7	10.1
North Carolina	250	398	22.3	5.9
Colorado	237	356	11.8	11.8
Tennessee	233	236	14.8	5.0
Maryland	228	251	21.2	4.5
Arkansas	218	293	13.8	4.6
South Carolina	184	974	51.3	27.1
New Mexico	175	203	13.3	7.0
Florida	167	546	40.7	10.2
Oklahoma	155	225	37.9	4.7
Connecticut	148	148	15.0	5.0
Oregon	133	133	26.4	3.2
Missouri	118	190	16.0	7.1
Rhode Island	111	111	17.2	4.0
Montana	79	79	21.1	1.9
New Hampshire	68	68	9.1	3.4
Delaware	52	61	6.9	7.2
North Dakota	38	49	7.4	0.9
Nebraska	31	31	42.2	1.2
Utah	29	29	5.3	1.0
Idaho	16	95	19.0	1.7
Mississippi	12	179	23.7	2.7
Arizona	12	12	1.3	0.3
Hawaii	10	10	16.4	0.4
Louisiana	8	612	33.5	13.9
Wyoming	8	8	1.4	0.1
Alabama	6	23	5.5	1.0
Georgia	5	1,454	85.5	23.8
Nevada	NA	NA	33.9	8.6
Kansas	NA	NA	7.7	1.9
Alaska	NA	NA	52.4	NA
District of Columbia	NA	NA	2.8	NA
South Dakota	NA	NA	NA	NA
U.S. Average	\$354	\$467	27.9%	9.4%

Source: National Association of State Student Grant and Aid Programs 32nd Annual Survey Report