

# Student Financial Aid



Informational Paper 35

Wisconsin Legislative Fiscal Bureau  
January, 2013



# Student Financial Aid

Prepared by

Emily Pope

Wisconsin Legislative Fiscal Bureau  
One East Main, Suite 301  
Madison, WI 53703  
<http://legis.wisconsin.gov/lfb>



## TABLE OF CONTENTS

Introduction .....	1
Needs Analysis.....	2
Sources of Financial Aid.....	4
Financial Aid Programs .....	7
Grant Programs .....	7
Forgivable Loan and Loan Repayment Programs .....	16
Repayable Loan Programs.....	18
Scholarship Programs .....	22
Institutional Aid.....	25
Special Programs .....	25
Tax Incentives.....	34
Financial Aid Package .....	36
Interstate Comparisons.....	37
Appendix: 2010-11 State Grant Dollars to Undergraduate Students by State.....	39



# Student Financial Aid

## Introduction

Financial aid provided to students can be broken into two general categories: need-based aid, which is provided to students who are determined to be financially unable to afford the cost of attending a post-secondary institution; and non-need-based aid, which is provided either without regard to the student's financial need, such as in the case of certain federal loan programs, or on some other basis, such as academic merit. In 2010-11, the most recent year for which data is available, resident undergraduate students attending Wisconsin public and private, nonprofit post-secondary institutions at least half-time received financial aid awards totaling approximately \$1.68 billion. Of that amount, \$1,080.7 million, or 64.5%, was awarded through need-based aid programs. More than three-fifths of all resident undergraduates enrolled at least half-time in Wisconsin institutions received some form of need-based financial aid in that year.

There are four primary sources of student financial aid: (1) the federal government, which provides almost three-quarters of all student financial aid; (2) state programs; (3) higher education institutions; and (4) other private and community-based organizations. Of the need-based aid provided to resident undergraduate students in 2010-11, \$851.1 million was awarded through federal programs (grants, loans, and work study); \$115.3 million was awarded through state grant programs administered by the Higher Educational Aids Board programs (10.7%); \$90.8 million was awarded through institutional grant, work, and loan pro-

grams (8.4%); \$13.0 million was awarded through other state programs (1.2%); and \$10.5 million was provided by private sources (1.0%).

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 financial aid "package" that a student receives. In determining a student's financial need, the resources of the student and his or her family are compared to the estimated cost of attending the chosen institution. The cost of attendance includes tuition and fees, room and board, transportation, books and supplies, and miscellaneous and personal expenses. The student's financial need is the cost of attendance that the current methodology assumes cannot be covered by student or family resources. "Unmet need" is the student's financial need less any financial aid provided. This "unmet need" can be met by additional parental contributions beyond what is assumed, student earnings apart from work-study aid, the assumption of additional non-need-based loans, or reductions in costs by

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

	2006-07	2007-08	2008-09	2009-10	2010-11
Students Receiving Aid	112,877	115,766	122,742	144,684	152,938
Cost of Attendance	\$1,774.2	\$1,887.8	\$2,095.9	\$2,513.8	\$2,737.8
Financial Need	\$1,207.3	\$1,322.5	\$1,474.2	\$1,848.3	\$2,052.9
Need-Based Aid	<u>672.2</u>	<u>746.0</u>	<u>799.1</u>	<u>973.0</u>	<u>1,080.7</u>
Unmet Need	\$535.1	\$576.5	\$675.1	875.3	\$972.2
Unmet Need as % Of Financial Need	44.3%	43.6%	45.8%	47.4%	47.3%
% Chg in Total Aid	4.0%	11.0%	7.1%	21.8%	11.2%

the student.

Table 1 shows need-based financial aid for Wisconsin resident undergraduate students for the most recent five years for which data are available. In 2010-11, need-based aid covered 52.7% of the financial need of students eligible for aid. Between 2006-07 and 2010-11, average need-based aid per student increased by more than \$1,100; however, the average cost of attendance for students receiving aid increased by approximately \$2,200 over the same time period. Because increases in costs were greater than increases in aid, unmet student need increased. In addition, the average student's ability to pay for his or her education decreased over the time period shown, most likely a reflection of the economic downturn that began in 2008. The increase in cost that was not covered by increases in aid combined with the decrease in the average student's ability to pay led to an increase in average unmet need of more than \$1,600.

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 including college savings programs and tax incentives. The fourth section discusses the process used to distribute financial aid. The final section provides interstate comparisons.

---

### **Needs Analysis**

---

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 for paying for postsecondary education. Congress has estab-

lished a needs analysis system, referred to as the "federal methodology," which determines how much students and their families are expected to contribute towards the cost of their education. To be eligible for federal financial aid, students and their parents are required to fill out the Free Application for Federal Student Aid (FAFSA). The federal Department of Education determines the amount that the student and his or her parents are expected to contribute to the cost of the student's education, known as the expected family contribution or EFC, based on information provided on the FAFSA. In calculating the EFC, the Department of Education 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. Students earnings and savings are also considered.

EFC is determined based on the amount of income and assets that are deemed "discretionary." In general, EFC increases with the family's discretionary income. Students with the greatest financial need generally have EFCs of \$0. Although costs vary from school to school, the amount one is expected to pay remains the same.

The student's financial need is the difference between the total cost of attending an institution and the amount the student and his or her family is expected to contribute, which is the EFC. The cost of postsecondary education varies greatly depending on individual student choices. First, costs will vary depending on the institution the student chooses to attend. In Wisconsin, the total cost of education, including tuition and fees, room and board, transportation, books and supplies, and miscellaneous and personal expenses, ranges from an average of \$10,860 at the tribal colleges to \$30,847 at the private colleges in 2010-11. The Wisconsin Technical Colleges and the University of Wisconsin System institutions fall in between with average costs of \$13,182 and \$17,255, respectively. Additional



choices made by the student, such as whether to live on campus or at home, will also affect the total cost of education.

Table 2 shows a sample student budget for a full-time resident undergraduate student as prepared by the financial aid office at UW-Milwaukee. This sample budget shows tuition and fees relative to other student costs including room and board, transportation, and books and supplies.

**Table 2: Dependent Student Base Budget Estimates-- 2012-13 Academic Year (9 Months)**

	Living With Parent	Living Away From Home
Tuition and Fees	\$9,380	\$9,380
Books/Supplies	1,000	1,000
Room	0	7,200
Board	4,204	4,204
Transportation	2,328	2,328
Medical	0	0
Personal/Misc.	<u>1,600</u>	<u>1,600</u>
Total	\$18,512	\$25,712

Once a student's financial need is determined, the college where the student is enrolled or the college or colleges where the student has applied attempts to meet this need through an offer of a financial aid package. The financial aid package can be a combination of one or more types of assistance including grants, scholarships, loans, and employment, depending upon a student's financial need and eligibility for 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, a general educational development (GED) certificate, or have completed a high school education in a home setting.

- Be enrolled in an eligible degree or certificate program.
- 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 Direct Loan and PLUS Loan programs and the state-funded WHEG program 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. For students attending less than full-time, the cost of education is proportionately reduced, which in turn decreases their financial need and the amount of financial aid for which the student is eligible.

Another determination made when a student applies for financial aid is the student's dependency status. Dependency status is based on whether the student is considered a dependent of his or her parents or is considered financially independent. If a student is a dependent, the student must report his or her parents' income and other financial information on the FAFSA in addition to the student's own. 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. According to federal guidelines, students who have access to parental support should not receive financial aid at the expense of students who do not. A student

is considered independent for financial aid purposes if he or she is one or more of the following:

- At least 23 or 24 years of age depending on the student's birthdate.
- Married.
- A graduate or professional student.
- Someone with legal dependents other than a spouse.
- A veteran.
- Serving on active duty in the U.S. Armed Forces.
- An orphan, is or has been in foster care or a ward of the court at any time since the age of 13.
- An emancipated minor or in a legal guardianship.
- Has been determined to be homeless or self-supporting and at risk of homelessness at any time since July 1, 2011.

---

## Sources of Financial Aid

---

Financial aid is provided by a number of sources:

**Federal Government.** In 2010-11, over three-quarters of the need-based financial aid to resident undergraduate students was provided by the federal government. This aid included \$380.6 million in grants, \$449.5 million in loans, and \$20.9 million in work study. Almost one-third of the cost of education of those receiving need-based financial aid in 2010-11 was met by federal funds. Table 3 provides expenditure levels for the major need-based financial aid programs funded through the U.S. Department of Education. These include grants, such as the Pell and Supplemental Educational Opportunity Grant (SEOG); federal work study; and loans, such as Direct and Perkins loans. Table 3 also shows expenditures for the Bureau of Indian Affairs grant program which is administered by individual tribes. Since 2001-02, total need-based federal financial aid for Wisconsin undergraduate students has increased

**Table 3: Federal Need-Based Financial Aid Programs (\$ in Millions)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Pell Grant	\$107.8	\$125.6	\$137.7	\$144.0	\$135.5	\$136.6	\$155.5	\$183.5	\$292.2	\$341.0
SEOG	15.5	15.8	15.7	15.1	14.3	14.7	13.9	14.1	14.4	13.4
Bureau of Indian Affairs	3.4	3.9	4.2	4.7	4.8	5.6	5.6	6.1	6.3	6.0
Academic Competitiveness Grant	--	--	--	--	--	4.2	5.6	5.8	7.9	9.8
SMART Grant	--	--	--	--	--	3.2	3.0	2.6	4.4	5.7
LEAP/SLEAP (formerly SSIG)	1.1	1.4	1.4	1.4	1.7	1.4	1.5	1.4	1.5	1.6
Other federal grants	--	--	--	--	--	--	0.4	1.1	2.8	3.1
College Work Study	14.7	15.6	16.5	18.2	18.0	19.5	17.5	19.0	22.3	20.9
Stafford Loan*	184.1	202.5	227.8	255.4	262.2	277.1	325.8	344.7	395.8	428.9
Perkins Loan	24.9	28.6	34.7	37.1	34.7	34.9	29.6	17.5	15.4	19.5
Other federal loans	--	--	--	--	--	--	1.2	1.0	1.0	1.1
<b>Total</b>	<b>\$351.6</b>	<b>\$393.5</b>	<b>\$438.0</b>	<b>\$475.9</b>	<b>\$471.2</b>	<b>\$497.2</b>	<b>\$559.6</b>	<b>\$596.8</b>	<b>\$764.0</b>	<b>\$851.0</b>
Percent Change	10.8%	11.9%	11.3%	8.7%	-1.0%	5.5%	12.6%	6.6%	28.0%	11.4%

\*Through 2009-10, most Stafford Loans were made through the Federal Family Education Loan program. Beginning in 2010-11, all Stafford loans are made through the Direct Loan program.

by 142% from \$351.6 million in 2001-02 to \$851.0 million in 2010-11.

In addition, the federal government provides non-need-based financial aid, primarily in the form of repayable loans. In 2010-11, resident undergraduate students received a total of \$383.3 million in non-need-based federal financial aid. Of this amount, 85% was provided in the form of Unsubsidized Direct loans and 15% was provided in the form of Direct PLUS loans made to parents. Due to limits on the amount of loans a student can receive through the need-based Subsidized Direct loan program, many students are granted loans through both that program and the non-need-based Unsubsidized Direct loan program.

**Higher Educational Aids Board (HEAB).**

The Higher Educational Aids Board is the primary state agency responsible for the management and oversight of the state's student financial aid system. As such, HEAB administers most state-funded student financial aid programs and the Minnesota-Wisconsin tuition reciprocity program. The Board is an independent policy making body composed of 11 members: the State Superintendent of Public Instruction; one

member 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 and three undergraduate students, including one each from an UW institution, Wisconsin technical college, 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 11.0 full-time equivalent employees including an Executive Secretary who is appointed by the Governor.

HEAB awards most state-funded need-based grants based on a student's EFC as calculated by the federal Department of Education. Table 4 shows a history of funding for HEAB-administered need-based financial aid programs. Non-need-based grants awarded through the Wisconsin covenant scholars grant program are excluded from the amount shown in the table for 2011-12. Except for 2012-13, the data shown in the table reflects actual expenditures. Budgeted amounts are shown for 2012-13.

**Table 4: HEAB Need-Based Programs**

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13***
Wisconsin Higher Ed. Grant									
UW Students	\$33,713,710	\$40,992,516	\$43,315,581	\$49,830,841	\$54,986,218	\$54,977,370	\$59,579,159	\$58,322,447	\$58,345,400
WTCS Students	14,628,703	15,792,630	16,684,004	16,905,950	18,022,956	16,686,129	20,301,301	18,325,306	18,797,900
Tribal College Students	405,800	403,720	408,991	408,558	407,649	416,675	468,918	441,963	454,200
Tuition Grant	22,483,699	25,510,951	22,757,519	24,928,869	26,567,410	25,909,981	27,864,140	26,613,208	26,870,300
Wisconsin Covenant*	NA	NA	NA	NA	NA	NA	NA	3,137,810	7,990,000
Talent Incentive Grant**	4,508,412	4,426,129	4,453,669	4,228,844	4,575,552	2,928,619	5,127,749	2,605,544	4,458,800
Indian Student Grant	791,663	774,117	802,254	764,150	766,691	763,324	650,555	642,530	779,700
Handicapped Student Grant	98,325	115,975	108,540	90,364	98,197	103,191	121,860	116,100	122,600
Minority Retention Grant	767,895	752,284	748,297	751,896	817,658	786,297	802,584	816,372	819,000
Nursing Student Loan Prog.	389,479	407,122	386,653	371,845	433,075	424,702	440,558	437,000	445,500
<b>Total</b>	<b>\$77,787,686</b>	<b>\$89,175,444</b>	<b>\$89,665,508</b>	<b>\$98,281,317</b>	<b>\$106,675,406</b>	<b>\$102,996,288</b>	<b>\$115,356,824</b>	<b>\$111,458,280</b>	<b>\$119,083,400</b>
Expenditure Change	8.4%	14.6%	0.5%	9.6%	8.5%	-3.4%	12.0%	-3.4%	6.8%

N.A. Not applicable

\*Some Wisconsin Covenant grants are not awarded on the basis of need. The figure shown for 2011-12 excludes these non-need based grants which totaled \$512,949 in that year. The budgeted amount shown for 2012-13 includes some amount of funding that will not be awarded based on need.

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

\*\*\*Budgeted.

In general, HEAB-administered aid programs are supported with state, general purpose revenue (GPR) dollars. Exceptions include the Indian student assistance grant program and the Wisconsin higher education grant for tribal college students both of which are funded with tribal gaming revenues. In addition, the Wisconsin higher education grant for UW students was partially funding with program revenue (PR) transferred from the UW System's auxiliary enterprises appropriation in 2003-04, 2004-05, and 2009-10.

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 three non-need-based loan programs. Table 5 shows 2011-12 program expenditures and the number of students receiving aid for all HEAB financial aid programs. The total expenditure amount shown in Table 5 differs from that shown in Table 4 for 2011-12 due to the inclusion of the non-need-based programs and non-need-based grants made through the Wisconsin covenant program.

**Table 5: HEAB -- 2011-12 Program Expenditures**

	Number of Awards	Total Expended	Average Award
WI Higher Education Grant			
UW Students	30,692	\$58,322,447	\$1,900
WTCS Students	19,472	18,325,306	941
Tribal College Students	313	441,963	1,412
Tuition Grant	10,510	26,613,208	2,532
Wisconsin Covenant Scholars	5,093	3,650,759	717
Talent Incentive Grant*	3,412	2,605,544	764
Academic Excellence Scholarship	2,895	3,068,349	1,060
Indian Student Grant	701	642,530	917
Minority Student Grant			
Private College Students	337	406,873	1,207
WTCS Students	559	409,499	733
Handicapped Student Grant	71	116,100	1,635
Minority Teacher Loan	76	178,250	2,345
Nursing Loan Program	232	437,000	1,884
Teacher of the Visually Impaired	12	99,000	8,250
Teacher Education Loan	67	140,166	2,092
Total	74,442	\$115,456,994	1,551

**University of Wisconsin System and Other State Agencies.** The UW System currently administers seven state-funded financial aid programs and one state-funded loan repayment program. The three largest programs administered by the UW System are the Lawton minority undergraduate retention grant, the advanced opportunity program, and the tuition increase grant. In addition, the Department of Military Affairs, the Department of Public Instruction, the Department of Veterans Affairs, and the Division of Vocational Rehabilitation Services in the Department of Workforce Development each administer financial aid programs for select student groups.

**Institutional Aid.** Individual institutions provide need-based and non-need-based financial aid to enrolled students. In 2010-11, Wisconsin's independent colleges and universities provided \$178.7 million in institutional aid to their students. Of this amount, \$76.2 million was distributed through need-based programs. Similarly, a total of \$74.4 million in grants, scholarships, and loans was provided to UW System students by the institution attended. Of this amount, a total of \$19.7 million was distributed through need-based programs.

**Private Sources.** The Fund for Wisconsin Scholars (FWS) provides privately funded need-based financial aid to resident undergraduate students. FWS is financed through private sources and is endowed by a \$175 million gift from John and Tashia Morgridge made in December, 2007. According to the FWS annual report, \$5.0 million in grants and stipends were distributed to 1,346 UW students and \$0.9 million was distributed to 390 technical college students in 2010-11.

In addition, students may receive financial aid through private sources such as community organizations, church groups, alumni associations, and private banks. Due to the manner in which many of these funds are distributed, it is difficult

to estimate the total amount of privately-funded financial aid awards.

---

## Financial Aid Programs

---

Financial aid may be provided in a number of forms:

**Grants** are direct forms of financial aid, usually provided on the basis of financial need, that do not have to be repaid. In 2010-11, state, federal, institutional, and private grant programs accounted for 56.1% of need-based financial assistance to undergraduates reported by HEAB.

**Loans** are financial aid that must be repaid. These loans may 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 or repaid 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 2010-11, student loan programs accounted for 41.7% of need-based and 73.8% of non-need-based under-graduate financial assistance reported by HEAB. Loans through federal programs accounted for 99.8% of all need-based loans and 88.0% of all non-need-based loans.

**Scholarships** are grants that are awarded on some basis other than need such as academic merit; athletic, musical, or other talents; certain achievements; or status as a member of a particular group such as being from a certain city, belonging to a certain ethnic group, or being the member of a certain religious affiliation.

**Remissions** are awarded to students under certain conditions. Students who receive a remission are not charged some portion of tuition

and the institution granting the remission forgoes that revenue.

**Reciprocity agreements** enable a student from one state to attend a public institution in another state without having to pay nonresident tuition. A reciprocity agreement between Minnesota and Wisconsin covers all public institutions in both states. In addition, individual technical colleges have reciprocity agreements with institutions located in Michigan, Illinois, and Iowa and UW-Marquette also has a reciprocity agreement with two community colleges located in Michigan. Additional information on reciprocity programs is provided in the Legislative Fiscal Bureau's informational paper entitled "Education and Income Tax Reciprocity Agreements."

Different financial aid programs accommodate a range of different policy objectives. Need-based grant programs are generally used to increase access and to help equalize participation in higher education across income levels. Merit-based aid, such as the academic excellence scholarship program in Wisconsin, encourages better high school performance and talent retention. Loans, primarily offered by the federal government, help students and families bridge the financial gap between present and future earnings. Finally, categorical aid, such as nursing or health professional grants, target specific professions or student populations for grants or loans.

The following section provides descriptions 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).** The Pell grant program is the largest source of need-based grant

aid for resident undergraduate students. In 2010-11, 56.2% of all need-based grant aid reported by HEAB was provided through the Pell grant program. In that year, 98,998 Wisconsin students received Pell grants totaling \$341.0 million with an average award of \$3,445.

Students who receive Pell grants tend to be from the neediest households. In 2010-11, nearly three-quarters of all Pell grant recipients came from families with annual incomes of less than \$30,000; 97% came from families with incomes of less than \$60,000. The Pell grant is intended to be the base upon which the student's financial aid package is built because, in general, students eligible for Pell grants are eligible for other forms of aid. In recent years, the Pell grant program has been administered like an entitlement program in that all eligible students have received the full amount of the grant as determined by their cost of attendance, expected family contribution (EFC), and enrollment status.

In 2012-13, undergraduate students enrolled whose EFC is less than \$4,996 are eligible to receive awards ranging from \$577 to \$5,550 annually. For students enrolled less than full-time, grants are reduced proportionately. To maintain eligibility for Pell awards, students must demonstrate satisfactory academic progress as defined by the institution attended.

Table 6 shows the number of resident students who received Pell grants in each of the past ten years and the average amount of those awards. Over that period of time, the number of Pell grant recipients increased by 97% and the average grant increased by 61%. The number of students receiving grants and the average award both increased significantly in 2009-10 and 2010-11 as the result of changes made to program under the 2009 federal American Recovery and Reinvestment Act (ARRA).

**2. Supplemental Educational Opportunity Grant (Federal).** The Supplemental

**Table 6: Pell Grants**

	Number of Recipients	Total Grants	Average Award
2001-02	50,259	\$107,841,880	\$2,146
2002-03	55,621	125,560,310	2,257
2003-04	59,757	137,658,111	2,304
2004-05	60,740	143,994,359	2,371
2005-06	57,999	135,477,306	2,336
2006-07	58,957	136,557,843	2,316
2007-08	63,081	151,970,601	2,410
2008-09	65,577	183,487,340	2,798
2009-10	86,353	292,167,595	3,383
2010-11	98,998	341,047,217	3,445

Educational Opportunity Grant (SEOG) program provides need-based grants of up to \$4,000 per year, or up to \$4,400 if the student is participating in an approved study abroad program, to undergraduate students with the lowest EFCs, with priority given to Pell Grant recipients. SEOG is a campus-based program and funds are allocated to participating institutions based on the amount received by the institution in 1999. Additional funds, when available, are allocated based on the need of the students enrolled in the institution. The SEOG program is administered by financial aid officers at each institution and awards are based on student financial need and the availability of funds. In 2010-11, SEOG awards of \$13.4 million were provided to 23,217 Wisconsin students, for an average of \$577 per grant.

**3. Bureau of Indian Affairs (BIA) Grant (Federal).** Need-based grants are available to students who are members of, or at least one-quarter descendants of a member of, a federally recognized tribe and who meet eligibility criteria established by the tribal affiliates. The appropriate tribal office selects eligible students and determines the amount of each award. Students are eligible for BIA's grant for up to five years. In 2010-11, 1,259 students received BIA grants totaling \$6.0 million with an average award of \$4,734. Of these grant recipients, 415 were enrolled in tribal colleges located in

Wisconsin, 385 were enrolled in Wisconsin technical colleges, 311 were enrolled in UW institutions, and 148 were enrolled at private colleges or proprietary institutions.

**4. Academic Competitiveness Grant (Federal).** This program was created under the federal Higher Education Reconciliation Act (HERA) of 2005 and ended after the 2010-11 academic year. The program provided grants of up to \$750 for the first year of undergraduate study and up to \$1,300 for the second year of study to eligible students. Actual award amounts were based on the number of eligible students. To be eligible for an academic competitiveness grant, a student must have been: (1) a Pell Grant recipient; (2) enrolled at least half-time in an institution of higher education; and (3) have completed a rigorous program of study while in high school. Second-year students must also have had a cumulative grade point average of at least 3.0 for the first academic year. In 2010-11, 12,952 Wisconsin students received academic competitiveness grants totaling \$9.8 million with an average award of \$754.

**5. National Science & Mathematics Access to Retain Talent (SMART) Grant (Federal).** Also established under HERA and ended after the 2010-11 academic year, this program provided grants of up to \$4,000 for each of the third and fourth years of undergraduate study to eligible students. Students enrolled in degree programs requiring five years of coursework could have also received for a SMART grant in the fifth year. To have been eligible for a SMART grant, a student must have been: (1) a Pell Grant recipient; (2) enrolled at least half-time in an institution of higher education; (3) majoring in a physical, life, or computer science, mathematics, technology, engineering, or in a foreign language determined to be critical to national security; and (4) have a cumulative grade point average of at least 3.0. In 2010-11, 1,848 Wisconsin students received SMART grants totaling \$5.7 million

with an average grant of \$3,109.

**6. Teacher Education Assistance for College and Higher Education (TEACH) Grant (Federal).** Beginning in 2008-09, the TEACH grant program provides grants of up to \$4,000 per year to students who intend to teach in a public or private elementary or secondary school that serves students from low-income families. If grant recipients do not fulfill the obligations of the program, the total amount of TEACH grants received is converted into unsubsidized Direct Loans. In 2010-11, 41 resident and nonresident UW students received TEACH grants totaling \$119,300 and one private college student received a TEACH grant of \$4,000.

**7. Wisconsin Higher Education Grant (HEAB).** The WHEG program provides grants to resident undergraduate students enrolled at least half-time at a UW institution, a Wisconsin technical college, or a tribal college located in this state. Eligible students may receive grants of \$250 to \$3,150 per year for no more than 10 consecutive semesters. All awards are based on financial need. WHEG award amounts are calculated using formulas approved by HEAB.

WHEG awards are currently funded under three separate appropriations, one each for UW students, technical college students, and tribal college students. HEAB approves three separate formulas for the distribution of funds under the WHEG program. Current law requires the Board 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.

In 2011-12, a total of \$77,089,716 was expended for WHEG grants to students in all three sectors. Of the total, 30,692 UW students received grants totaling \$58,322,447, 19,472 WTCS students received grants totaling \$18,325,306, and 313 tribal college students re-

**Table 7: Wisconsin Higher Education Grants\***

	UW System			Wisconsin Technical Colleges			
	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award	Total
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
2004-05	26,108	33,713,710	1,291	23,497	14,628,703	623	48,342,413
2005-06	24,345	40,992,516	1,684	24,211	15,792,630	652	56,785,146
2006-07	24,685	43,315,582	1,755	23,945	16,684,004	697	59,999,586
2007-08	26,342	49,830,841	1,892	23,828	16,905,950	709	66,736,791
2008-09	27,162	54,986,218	2,024	22,041	18,022,956	818	73,009,174
2009-10	25,423	54,977,370	2,163	18,207	16,686,129	916	71,663,499
2010-11	30,364	59,579,159	1,962	21,257	20,301,301	955	79,880,460
2011-12	30,692	58,322,447	1,900	19,472	18,325,306	941	76,647,753

\*Excludes WHEG tribal.

ceived grants totaling \$441,963. The average award for tribal college students in 2011-12 was \$1,412. Grants to UW and technical college students were funded with state general purpose revenue (GPR) and grants to tribal college students were funded with tribal gaming revenues. Table 7 shows WHEG program expenditures from 2002-03 through 2011-12.

In recent years, the number of students who have been eligible for WHEG grants has exceeded the number of grants that can be awarded based on the funding provided. WHEG grants are awarded on a first-come, first-served basis and students who apply after program funding has been fully committed are placed on a waiting list. In 2011-12, 13,116 UW students, 54,812 technical college students, and 809 tribal college students were eligible for WHEG grants based on their EFC but were not awarded a grant due to insufficient funds. Grants to these students would have totaled an additional \$96.8 million GPR and \$1.6 million PR.

Under current law, the WHEG-UW appropriation is a sum sufficient appropriation

that is linked to the average percent increase in resident undergraduate tuition in the UW System. This link, which was established by 2001 Act 109 and modified by 2005 Act 25, has been suspended in each biennium since it was established. During the 2011-13 biennium, no funding increases were provided for the WHEG-UW program while resident undergraduate tuition at most UW institutions increased by 5.5%.

**8. Tuition Grant (HEAB).** The tuition grant (TG) program provides need-based funds to resident undergraduates who attend private, nonprofit postsecondary institutions in Wisconsin. Students enrolled at least half-time are eligible for grants ranging from \$250 to \$2,900 per year for no more than 10 semesters. In 2011-12, a total of \$26,613,208 GPR was expended for tuition grants to 10,510 students. In that year, the average award was \$2,532. The private colleges with the largest number of TG recipients in 2011-12 were Marquette University (1,133), Alverno College (1,117), and Carroll College (909). Table 8 shows TG program funding from 2002-03 through 2011-12.



**Table 8: Tuition Grant Program**

	Number of Students	Expenditures	Average Award
2002-03	11,673	\$22,431,409	\$1,922
2003-04	10,392	21,738,985	2,092
2004-05	10,880	22,483,699	2,067
2005-06	10,818	25,510,951	2,358
2006-07	9,146	22,757,518	2,488
2007-08	10,073	24,928,869	2,475
2008-09	10,613	26,567,410	2,503
2009-10	10,300	25,909,981	2,516
2010-11	11,020	27,864,140	2,529
2011-12	10,510	26,613,208	2,532

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 based on the student's expected family contribution (EFC). Separate formulas are used for dependent and independent students such that larger grants are provided to dependent students. Each year HEAB approves a formula for distribution of TG funds which is based on the percentage of students expected to decline the awards (overawards). Overawards are limited by statute to 22% of the anticipated grants.

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. Since then, the maximum award has increased to \$2,900.

As with the WHEG program, the number of students who have been eligible for grants through the TG program has exceeded the

number of grants that can be awarded based on the funding provided in recent years. TG grants are awarded on a first-come, first-served basis and students who apply after program funding has been fully committed are placed on a waiting list. In 2011-12, 7,425 were eligible based on their students were eligible for grants through the TG program based on their EFC but were not awarded a grant due to insufficient funds. Grants to these students would have totaled an additional \$23.3 million GPR.

**9. 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. Through the 2010-11 year, TIP was supported by state general fund monies and federal funds through the Leveraging Educational Assistance Partnership (LEAP) Program and the federal Special Leveraging Educational Assistance Partnership (SLEAP) Program. The LEAP and SLEAP programs were eliminated beginning in the 2011-12 year which reduced total funding for the TIP program by approximately \$1.5 million. (Federal funding for the program varied from year to year.) Total TIP expenditures in 2011-12 were \$2,605,544 GPR.

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

Students may be awarded 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 number of eligible students and, in previous years, the amount of federal funds received. In 2011-12, the maximum award was \$825. Table 9 shows TIP expenditure levels for the UW System, WTCS, and private college sectors from 2002-03 through 2011-12. As shown in the table, both the number of students receiving TIP awards and the average award decreased after the federal funding was eliminated in 2011-12.

#### 10. Handicapped Student Grant (HEAB).

Under this program, Wisconsin residents who have a severe or profound hearing or visual impairment and are enrolled as undergraduates at an in-state or eligible out-of-state public or private, nonprofit postsecondary institution are eligible for financial assistance. 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 10 semesters in addition to 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 2011-12, 71 hearing or visually impaired students received a total of \$116,100 under this program with awards averaging \$1,635. Most award recipients attended UW System institutions (36) or a Wisconsin technical college (21). Nine students enrolled in private, non-profit institutions located in Wisconsin and five students enrolled at Rochester Institute of Technology.

#### 11. Indian Student Assistance Grant (HEAB).

These funds are awarded to residents who are at least one-quarter Native American or are recognized as a member of a tribe by the appropriate tribal government. Full- and part-time undergraduate and graduate 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. The program is funded by tribal gaming revenues. In 2011-12, 701 students received grants totaling \$642,530. Of these

**Table 9: Talent Incentive Grant Program\***

	UW System			Wisconsin Tech. Colleges			Private Colleges		
	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award
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
2004-05	2,293	2,979,541	1,299	1,435	1,707,479	1,190	1,030	1,404,122	1,363
2005-06	2,244	2,896,636	1,291	1,492	1,723,192	1,155	993	1,342,824	1,352
2006-07	2,245	2,867,590	1,277	1,327	1,580,302	1,191	948	1,255,985	1,325
2007-08	2,290	2,908,293	1,270	1,221	1,417,426	1,161	954	1,251,200	1,312
2008-09	2,418	3,077,153	1,273	1,339	1,498,029	1,119	985	1,355,744	1,376
2009-10	2,308	2,404,817	1,042	1,019	995,865	977	927	962,472	1,038
2010-11	2,476	3,737,306	1,509	1,034	1,405,184	1,359	954	1,479,522	1,551
2011-12	1,963	1,510,203	769	673	496,704	738	732	568,430	777

\*Includes both state and federal grant monies. Excludes grants to students enrolled in tribal colleges.

students, 265 enrolled at Wisconsin tribal colleges, 209 enrolled at Wisconsin technical colleges, 200 enrolled at UW institutions, and 27 enrolled in private, nonprofit institutions. Statewide, the average grant was \$917.

**12. Minority Undergraduate Retention Grant (MURG) (HEAB).** Under this program, awards are made to resident minority undergraduates, excluding freshmen, enrolled at least half-time at Wisconsin technical colleges, tribal colleges, or private, nonprofit postsecondary institutions in the state. Since freshmen are not eligible for MURG grants, this is a retention, rather than a recruitment, program. By statute, a minority student is defined as a student who is African American, Native American, Hispanic, or from Cambodia, Laos, or Vietnam and 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 half of all funds to the technical colleges and half to private institutions and tribal colleges.

In 2011-12, \$409,499 was awarded to 559 technical college students with an average award of \$733. A total of 337 students attending private colleges or tribal colleges received \$406,873 with an average award of \$1,207.

**13. Ben R. Lawton Minority Undergraduate Grant (UW System).** Similar to the MURG program, the Lawton grant program provides financial assistance to minority resident and Minnesota reciprocity undergraduate students enrolled in UW institutions, most of whom demonstrate financial need. Like the MURG program, this is a retention, rather than a recruitment, program and the same definition of "minority" is used for both programs. Sophomores, juniors, and seniors, enrolled for at least six credits, are eligible for up to eight semesters of support with maximum annual grant of \$3,000. Lawton grants are provided as "last dollar" grants, which means that they are awarded after all other grant aid for

which the student is eligible has been determined. In 2011-12, 3,630 students received a total of \$6,784,713 through the Lawton program averaging \$1,869 per grant. Funding for the Lawton program is allocated annually by the Board of Regents from the UW System's GPR block grant. Prior to 2011-12, the Lawton program was funded through a separate appropriation under the UW System.

**14. Tuition Increase Grants (UW System).** Created under 2009 Act 28, the tuition increase grant program provides need-based grants to students whose family income is less than \$60,000 and who do not receive WHEG grants. To be eligible for a grant, students must have attended UW System institutions in 2010-11 and maintained continuous enrollment. Grant amounts are determined by the Board of Regents and must correspond to increases in resident undergraduate tuition. Individual grants may not exceed the amount of unmet need. In 2011-12, 12,068 students received grants totaling \$7,748,433 with an average grant of \$642. Funding for this program is allocated annually by the Board of Regents from the UW System's GPR block grant.

**15. Advanced Opportunity Program (UW System).** The AOP program provides grants to minority and economically disadvantaged graduate students enrolled at UW institutions. In 2011-12, 75% of the grants were provided to minority students. Eligibility requirements vary by campus but are primarily based on financial need and academic performance. This is the only state-funded financial aid program that provides funds to nonresident students who are not covered by the Minnesota-Wisconsin Higher Education Reciprocity Agreement. There are no statutory limits on the grant amount or number of eligible semesters.

In 2011-12, 732 students received AOP awards totaling \$7,443,528. Of this amount, \$6,400,204 was awarded in the form of grants; 478 residents received grants averaging \$6,402

and 254 nonresidents received grants averaging \$13,150. The UW treats AOP as a fellowship, rather than a grant program, thus making AOP recipients eligible for fringe benefits, such as health insurance. A total of \$1,043,324 of AOP funding was used to fund fringe benefit costs associated with AOP recipients. Because nonresident AOP recipients also receive tuition remissions, the value of these AOP awards to nonresidents is considerably higher than the amount of the grant and fringe benefits. Funding for AOP is allocated annually by the Board of Regents from the UW System's GPR block grant. Prior to 2011-12, AOP was funded through a separate appropriation under the UW System.

#### **16. Student Abroad Grants (UW System).**

In 2011-12, grants totaling \$915,027 were provided to 758 students through this GPR-funded program. Although statutes do not specify how grants shall be awarded, the UW System administers this program as a need-based grant program. Funding for these grants is allocated annually by the Board of Regents from the UW System's GPR block grant. Prior to 2011-12, these grants were funded through a separate appropriation under the UW System.

**17. Nelson Institute for Environmental Studies (UW System).** Created under 2009 Act 28, this program provides need-based grants to students who are members of underrepresented groups and who are enrolled in a program leading to a certificate or a baccalaureate degree from the Nelson Institution for Environmental Studies at UW-Madison. In 2011-12, 25 students received grants totaling \$100,000 with an average award amount of \$4,000. This program is funded with income and interest transferred from the normal school fund, which is a segregated fund.

**18. Tuition-Funded Need-Based Grant Aid (UW-Madison and UW-Eau Claire).** A portion of the tuition revenue generated by three differential tuition programs, two at UW-

Madison and one at UW-Eau Claire, is used to provide need-based grants to low-income students.

Beginning in fall, 2007, undergraduate students at Madison enrolled in the business administration baccalaureate degree program and the certificate in business programs have been charged a differential tuition. As approved by the Board of Regents, 25% of the revenues generated by this differential tuition, which is \$1,000 per year for baccalaureate degree students and \$300 per year for students enrolled in the certificate program, are used to fund financial aid for students enrolled in these programs. In 2011-12, 270 students received grants totaling \$262,500.

Beginning in fall, 2009, all undergraduate students enrolled at Madison have been charged a differential tuition. In 2012-13, this differential is \$1,000 per year for resident students and \$3,000 per year for nonresident students. Approximately half of all revenues generated by this differential tuition are used to support two financial aid programs. The first program provides grants in the amount of the differential to students who demonstrate financial need and whose family income is \$80,000 or less. The second program provides additional need-based grants to students. In 2011-12, 7,934 students received grants totaling \$15,300,000 through these programs.

In spring, 2010, the Board of Regents approved a phased increase in the differential tuition charged to all UW-Eau Claire undergraduate students from \$163 in the 2009-10 academic year to \$1,363 in 2013-14. Similar to the institution-wide UW-Madison differential tuition, a portion of the tuition revenues generated by the UW-Eau Claire differential are used to fund two financial aid programs: one which provides grants in the amount of the differential to students who have demonstrated financial need and whose EFC is below a certain threshold and one which provides additional need-based grants to students in extreme circumstances. In 2011-12, UW-Eau Claire

awarded grants offsetting the amount of the differential tuition to 3,595 students and additional need-based grants to 208 students. These grants totaled \$2,056,700. The amount of tuition revenues available for need-based financial aid will increase as the differential tuition increase continues to be phased in in 2012-13 and 2013-14.

**19. 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, scholarships, or remissions received, based on the costs of a UW-Madison resident undergraduate. A separate program, described later in this paper, provides tuition remissions to eligible veterans attending UW System and Wisconsin Technical College System institutions. The veterans tuition and fee reimbursement grants apply only to the unremitted portion of tuition and fees at those institutions. The veteran may enroll on a full-time or part-time basis at any UW institution, Wisconsin technical college, approved private post-secondary institution, public or private high school, or similar institution that has a reciprocity agreement with Wisconsin. Part-time students may also be reimbursed for courses taken at out-of-state institutions if the institution is within 50 miles of the veteran's residence and the state boundary and if a correspondence course is not offered in this state.

Veterans are eligible for reimbursement based on their length of service. Veterans that were on active duty for at least 90 days may be reimbursed for up to 30 credits or two semesters; veterans with at least 181 days of active duty service are eligible for up to 60 credits or four semesters; and veterans with at least 731 days of active duty service are eligible for up to 120 credits or eight semesters.

Veterans are eligible for full tuition and fee

reimbursement for full-time study only for credits begun prior to their 10-year anniversary of their separation from active duty. After the 10-year delimiting date, full-time students may be reimbursed for no more than 11 credits per semester and 60 credits total. Up to 60 credits of part-time study may be reimbursed with no time limits.

Eligibility is restricted to veterans with incomes of \$50,000 or less (plus \$1,000 for each dependent in excess of two). Veterans are not eligible for reimbursement if they are eligible for National Guard tuition reimbursement or if they have an under-graduate degree. For information on claiming reimbursement, see the Legislative Fiscal Bureau's informational paper entitled "State Programs for Veterans".

In 2011-12, 479 tuition and fee reimbursement grants were awarded, totaling \$986,300 SEG from the veterans trust fund and averaging \$2,059 each.

**20. National Guard Tuition Grants (Military Affairs).** Wisconsin National Guard members are eligible to receive reimbursement grants equal to 100% of the actual tuition charged or 100% of the maximum resident undergraduate tuition rates charged by UW-Madison for a comparable number of credits, whichever amount is less. The grants may be received for up to eight semesters of full time study or 120 credits of part-time study, or the equivalent thereof. Eligibility is limited to enlisted members and warrant officers of the Wisconsin National Guard who do not hold a bachelor's degree or its equivalent. In order to receive a reimbursement grant, the enlisted member or warrant officer must also maintain a minimum grade point average of 2.0 for the semester for which the reimbursement grant is applied. Reimbursement of tuition may be obtained by National Guard members who were enrolled at any accredited institution of higher education in Wisconsin or an

out-of-state institution that has a reciprocity agreement with this state, including certain institutions in Minnesota, Michigan, Illinois and Iowa. No National Guard member may receive a 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 2011-12, 2,140 grants were awarded, totaling \$4,770,900 GPR with an average grant of \$2,229.

National Guard members that classify as veterans may be eligible for tuition remission at University of Wisconsin System and Wisconsin Technical College System institutions.

### **21. Fund for Wisconsin Scholars (Private).**

Established in 2007, the Fund for Wisconsin Scholars provides need-based grants to students who have graduated from Wisconsin public high schools and are enrolled in UW institutions or Wisconsin technical colleges. The first grants were awarded during the 2008-09 academic year and ranged in value from \$1,000 to \$5,000 annually. According to the FWS annual report, \$5.0 million in grants and stipends were distributed to 1,346 UW students and \$0.9 million was distributed to 390 technical college students in 2010-11. These grants are awarded through the financial aid office of the institution the student attends. The Fund is financed through private sources and is endowed by a \$175 million gift from John and Tashia Morgridge made in December, 2007.

## **Forgivable Loan and Loan Repayment Programs**

### **1. Nursing Student Loan (HEAB).**

Created under 2001 Act 16, the nursing loan program provides loans to Wisconsin residents who are enrolled at least half-time at an eligible in-state institution that prepares them to be licensed as registered (RN) or licensed practitioner (LPN) nurses. The maximum award per year is \$3,000 with an overall maximum of

\$15,000. To be eligible for the program, students must agree to be employed as a licensed nurse in this state. Loans are forgiven at a rate of 25% for each of the first two years that the recipient is employed full-time as a nurse or nurse educator in Wisconsin. Forgiveness may be prorated for individuals working less than full-time. 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 or otherwise meet the eligibility criteria, the loan must be repaid at an interest rate not to exceed 5%. In 2011-12, 232 students received loans totaling \$437,000. More than half of the recipients (118) attended WTCS institutions, 81 attended an independent college or university, 28 attended UW System institutions, and 5 attended a tribal college. In 2012-13, \$445,500 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 institution 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 2011-12, a total of \$178,250 was

expended for 76 students, averaging \$2,345 per student. Of these students, 67 were enrolled at UW institutions and nine were enrolled at private colleges. UW-Milwaukee, with 42 students, had the most participants. In 2012-13, \$259,500 GPR is appropriated for the minority teacher loan program.

**3. Teacher Education Loan Program (HEAB).** This program 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 a first-class city school system under Chapter 119 of the statutes (Milwaukee Public Schools). For each year the borrower 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 2011-12, a total of \$154,466 was expended for 67 students with an average award of \$2,305. For 2012-13, \$272,200 GPR is appropriated for this program.

**4. Loans for Teachers and Mobility Instructors of Visually Impaired Pupils (HEAB).** This program 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 borrower completes the degree program, the loans are forgiven if the borrower is licensed and employed as a teacher of visually impaired pupils or as an orientation and mobility

instructor by a Wisconsin 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 years of employment and 50% of the principal and interest amount for the third year. For persons who are employed less than full-time, HEAB may forgive loans on a prorated basis.

For 2011-12, a total of \$99,000 was expended for 12 students, averaging \$8,250 per student. Of these students, nine were enrolled at Silver Lake College in Wisconsin and three were enrolled at out-of-state institutions in Illinois and Michigan. For 2012-13, \$99,000 GPR is appropriated for the program.

**5. Physician and Dentist and Health Care Provider Loan Assistance Programs (UW System).** This program is different from the state-funded loan programs described above in that the state does not make loans to students through this program. Rather, the state agrees to repay a portion of the participant's existing student loans.

Under the physician and dentist loan assistance program, the UW Board of Regents may repay up to \$50,000 in education loans on behalf of a physician or dentist who agrees to practice in one or more eligible practice areas or dental health shortage areas in this state. For physicians who additionally agree to practice in a rural area, the UW Board of Regents may make loan repayments of up to \$100,000. Under the health care provider loan assistance program, the Board may repay up to \$25,000 in education loans on behalf of a health care provider, defined as a dental hygienist, physician assistant, nurse midwife, or nurse-practitioner, who agrees to practice in one or more eligible practice areas in this state.

To be eligible for loan repayment, the physician, dentist, or health care provider must enter into a written agreement with the Board in which he or she agrees to practice at least 32 clinic hours per week, 45 weeks per year, for three years in an eligible practice area. Physicians and dentists must also agree to treat patients who are insured by or for whom health benefits are payable under Medicare, medical assistance (MA), or other government programs. Program participants who meet additional requirements may also be eligible for federally-funded loan repayments through the expanded loan assistance program.

Loans to physicians and dentists are repaid as follows: (1) 40% of the principal up to \$20,000 in each of the first and second years; and (2) 20% of the principal up to \$10,000 in the third year. For physicians practicing in rural areas, maximum annual repayments are set at \$40,000 for each of the first and second years and \$20,000 for the third year. Loans to health care providers are similarly repaid as follows: (1) 40% of the principal up to \$10,000 in the each of the first and second years; and (2) 20% of the principal up to \$5,000 in the third year.

Total state funding for the physician and dentist and health care provider loan assistance programs is \$738,700 in 2012-13. Of this amount, \$488,700 is from tribal gaming revenues and \$250,000 is from the critical access hospital assessment fund. The critical access hospital assessment funds may only be used to make repayments on behalf of physicians, dentists, and health care providers practicing in rural areas. In addition, \$300,000 in annual federal funding is provided for the expanded loan assistance program. In 2011-12, loan assistance was provided to six dentists, five physicians, two nurse practitioners, and two dental hygienists.

## **Repayable Loan Programs**

**1. Direct Subsidized Stafford Loans (Federal).** The Direct Subsidized Stafford Student Loan program is a federal loan program that provides low-interest loans to undergraduate students who are enrolled at least half-time and have demonstrated financial need. (Prior to the 2012-13 academic year, graduate students were also eligible for Direct Subsidized Stafford loans.) Students may borrow up to \$3,500 in the first year, \$4,500 in the second year, and \$5,500 in subsequent years up to a maximum of \$23,000. Direct Subsidized Stafford loans are subject to a fixed interest rate, which is set at 3.4% for loans disbursed from July 1, 2012, to June 30, 2013. In addition to these interest rates, borrowers are charged a loan fee equal to 1% of the amount of the loan. This fee is deducted from each disbursement. Borrowers begin repayment six months after leaving school or dropping below half-time. Under the subsidized loan program, the government pays the interest on the loan while the student is enrolled at least half-time, during the six months before repayment begins, and during deferment except that borrowers will be responsible for interest during the six months before repayment begins for loans disbursed between July 1, 2012, and July 1, 2014. In 2010-11, 121,680 Wisconsin undergraduates received direct subsidized loans averaging \$3,525, for a total value of \$428.9 million.

Borrowers may choose to repay their loans through one of six repayment plans: (1) the standard plan, which offers fixed payments over up to 10 years; (2) the graduated plan, which offers increasing payments over ten years; (3) the extended plan, which offers fixed or graduated payments over up to 25 years; (4) the income-based plan, which allows the borrower to pay 15% of discretionary income for up to 25 years; (5) the pay as you earn plan, which allows the borrower to pay 10% of discretionary income for up to 20 years; and (6) the income-contingent



plan, which offers payments based on income, family size, and loan amount for up to 25 years. Borrowers must show partial financial hardship to be eligible for the income-based and pay as you earn plans. Under the income-based, pay as you earn, and income-contingent plans, the balance of the loan is forgiven at the end of the repayment period.

Loan repayments may be deferred up to three years in the event of economic hardship or if the borrower is unable to find full-time employment. In addition, loan repayments may be deferred for active military personnel during a war, military operation, or national emergency and for up to 13 months following qualifying active military service for National Guard members and other reservists who were activated while enrolled or within six months of being enrolled at least half-time. Loans payments may also be deferred while a student participates in an approved graduate fellowship program or rehabilitation training program in the case of disability.

Loans may be discharged in the event of the death or total and permanent disability of the borrower. Loan forgiveness is offered to certain teachers and public service employees. Teachers who have worked for five years in a low-income school may have up to \$5,000 of their loans forgiven while teachers of secondary mathematics, secondary science, and special education, may have up to \$17,500 of their loans forgiven after five years. In addition, public service employees may have the balance of their loans forgiven after 120 on-time monthly payments.

Prior to the 2010-11 academic year, most subsidized and unsubsidized Stafford loans were made through the Federal Family Education Loan (FFEL) program. Loans made through the FFEL program were made by a private lender, insured by a guarantee agency, such as the Great Lakes Higher Education Corporation (GLHEC) in Wisconsin, and reinsured by the federal government. Beginning in the 2010-11 academic

year, all Stafford loans are made through the Direct Loan program. Direct loans are made by the U.S. Department of Education and delivered through the school.

## **2. Direct Unsubsidized Stafford Loans**

**(Federal).** The Direct Unsubsidized Stafford Student Loan program provides low-interest loans to undergraduate and graduate students who are enrolled at least half-time. Unlike the Direct Subsidized Stafford Loan program, students do not need to demonstrate financial need to be eligible for Direct Unsubsidized Stafford Loans. Dependent undergraduate students may borrow up to \$5,500 in the first year, \$6,500 in the second year, and \$7,500 in subsequent years, up to a maximum of \$31,000. Independent undergraduate students may borrow up to \$9,500 in the first year, \$10,500 in the second year, and \$12,500 in subsequent years, up to a maximum of \$57,500. Amounts borrowed through the Direct Subsidized Stafford Loan program are counted against these limits. Graduate and professional students may borrow up to \$20,500 per year. In total, a graduate or professional student may borrow up to a maximum of \$138,500 except that graduate and professional students enrolled in certain approved health professions programs who may borrow up to a total of \$224,000. Any amount borrowed by a graduate or professional student while an undergraduate is counted against these limits. In 2010-11, 99,056 Wisconsin undergraduates received Direct Unsubsidized Stafford loans averaging \$3,273, for a total value of \$324.2 million.

Like direct subsidized Stafford loans, unsubsidized direct Stafford loans are subject to a fixed interest rate, which is set at 6.8% for loans disbursed from July 1, 2012, to July 1, 2013. Borrowers are also charged a loan fee equal to 1% of the loan. Borrowers begin repayment six months after leaving school or dropping below half-time. Unlike direct subsidized loans, the borrower is responsible for any interest that may

accrue while the student is enrolled, before repayment begins, and while the loan is in deferment.

Direct unsubsidized student loan borrowers may select from the same six repayment plans available to borrowers under the Direct Subsidized Stafford Loan program. In addition, direct unsubsidized loans may be deferred, discharged, or forgiven under the same conditions as direct subsidized student loans.

**3. Perkins Loan (Federal).** This is a campus-based program that provides loans at 5% interest to undergraduate and graduate students with exceptional financial need to help pay for educational costs. Each participating educational institution is required to match federal funds with an amount equal to one-third of the federal contribution. Repaid loans become part of a revolving account from which new loans are made. With the exception of students enrolled in programs leading to a professional credential as a teacher, students do not have to be enrolled at least half-time to be eligible for Perkins loans. Awards are based on financial need, the availability of funds and the amount of other aid a student receives. In 2010-11, a total of \$19.5 million was provided to 12,714 resident undergraduate students, with loans averaging \$1,536.

The maximum amount that may be borrowed under the Perkins Loan program is \$5,500 annually for undergraduates, with a maximum total of \$27,500 for undergraduate study, and \$8,000 per year for graduate students, with a maximum total of \$60,000 including any amounts borrowed as an undergraduate. Interest does not accrue while the student is enrolled at least half-time or in deferment. Repayment begins nine months after the student has completed his or her studies or after the student has been enrolled less than half-time. Students have up to ten years to repay Perkins loans.

Federal law provides that individuals whose employment meets certain requirements may have up to 100% of their Perkins loans forgiven. These individuals include: (a) certain special education teachers, teachers of math, science, foreign languages, bilingual education, and other fields designated as shortage areas, and teachers working for educational service agencies serving children with disabilities or low-income families; (b) librarians with master's degrees working in high-poverty schools or public libraries located in high-poverty areas; (c) staff members in the education component of a Head Start program; (d) staff members of state-licensed pre-kindergarten or child care programs; (e) providers of early intervention services for the disabled; (f) employees of qualifying child or family services agencies providing services to high-risk children and their families in low-income areas; (g) speech pathologists with master's degrees employed at high-poverty schools; (h) attorneys employed by federal public or community defender organizations; (i) faculty members of tribal colleges and universities; (j) nurses and medical technicians; (k) law enforcement and corrections officers and firefighters; and (L) members of the armed forces who served in a hostile fire or imminent danger area. In most cases, the borrower must be employed full-time in a qualifying occupation to be eligible for Perkins loan forgiveness. In some cases, only employment or service after August 13, 2008, can be credited towards loan forgiveness. In general, loans are forgiven at a rate of 15% for each of the first two years, 20% for each of the third and fourth years, and 30% in the fifth year. For Head Start, prekindergarten, and child care staff members, loans are forgiven at a rate of 15% a year. In addition, Peace Corps and VISTA volunteers may have up to 70% of their loans forgiven at a rate of 15% for each of the first two years and 20% for each of the third and fourth years.

Perkins loans may be deferred or canceled under the same conditions as Direct Unsubsi-

dized and Subsidized loans. In addition, Perkins loans may also be deferred during a period of service qualifying for loan forgiveness (described below). Interest does not accrue while Perkins loans are in deferment including when the student is enrolled at least half-time.

**4. Direct PLUS Loans for Parents (Federal).** Through this non-need based loan program, the U.S. Department of Education makes loans to the parents of dependent undergraduate students who are enrolled at least half-time. PLUS loans can only help finance educational costs and the amount of the loan cannot exceed the difference between the student expense budget and all other financial aid. Prior to the 2010-11 academic year and a change in federal law, most PLUS loans were made by a private lender, insured by a guarantee agency, such as the Great Lakes Higher Education Corporation (GLHEC) in Wisconsin, and reinsured by the federal government.

All new PLUS loans are subject to a fixed rate of 7.9%. The loans also carry a 4% fee which is deducted from each disbursement. Parents may defer payments of the principal while the student is enrolled at least half-time and for up to six months after the student ceases to be enrolled at least half-time; however, interest accrues during these periods and is added to the principal of the loan.

Parents may choose to repay PLUS loans through one of three repayment plans: (1) the standard plan, which offers fixed payments over up to ten years; (2) the extended plan, which offers fixed payments over up to 25 years; and (3) the graduated plan, which offers increasing payments over ten years. Loan repayments may be deferred under the same conditions as Direct Subsidized and Unsubsidized Loans. The loan may be cancelled if the borrower dies or becomes totally and permanently disabled or if the student for whom the parent borrowed dies.

**5. Direct PLUS Loans for Graduate and Professional Degree Students (Federal).** This program provides loans to graduate and professional degree students who are enrolled at least half time. The terms and conditions of this program are the same as for the Direct PLUS loans for parents program except that: (1) students may opt to repay their loan under the income-based, the pay as you earn, and the income-contingent repayment plans; and (2) public service employees may have the balance of their Direct PLUS loans forgiven after 120 on-time monthly payments.

**6. Consolidation Loan (Federal).** This program allows the borrower to replace Direct, Stafford, Perkins, PLUS loans made to students, and other federal 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. Consolidation loans give the borrower up to 30 years to repay loans which may reduce monthly payments but increase total costs. Interest rates on consolidation loans are fixed and equal to the weighted average of the interest rates on the original loans, rounded up to the nearest 1/8%. By law, the interest rate on consolidated loans cannot exceed 8.25%. Several different repayments plans are available to borrowers with consolidated loans. Borrowers who choose to consolidate their loans may not be eligible for interest rate discounts, principal rebates, and forgiveness programs offered by the programs through which the original loans were made.

**6. Personal Loan Program (Veterans Affairs).** Under the personal loan program, eligible veterans may receive a low-interest loan of up to \$25,000 for up to 10 years for a variety of purposes, including the education of a veteran, spouse, or child. The Department has established variable interest rates, depending on the securitization of the loan. As of December, 2012, interest rates ranged from 4.9% for five-year

loans secured by a mortgage to 8.5% for five-year loans secured by a guarantor. The Department placed an indefinite moratorium on the personal loan program on December 1, 2011. The Department cited its inability to compete with low commercial interest rates and decreased demand as the reason for the moratorium. No new personal loans were approved in the 2011-13 biennium.

## Scholarship Programs

Generally, scholarships are financial aid funds that are awarded on a basis other than need. Scholarship money may come from a variety of governmental, institutional, and private sources. The academic excellence scholarship is the largest state-supported scholarship program.

**1. Academic Excellence Higher Education Scholarships (HEAB).** This program provides scholarships to selected 12th grade students who have the highest grade point averages (GPA) in each public, private, and tribal 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 high school is required to name the 12th grade student or students with the highest GPAs, as normally calculated by that high school, as eligible to receive a scholarship. Except under certain circumstances, if two or more students in the same high school have the same GPA, the faculty is required to select one of the students 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.

In order to receive a scholarship, a student must be enrolled full-time at a participating UW institution, 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. If the student who is initially selected does not use the scholarship by September 30 following high school graduation, the scholarship may be awarded to an alternate. Students with the same GPA as the originally designated scholar or, if there are no remaining seniors with the same GPA, students with the next highest GPAs of 3.8 or greater may be named as alternates. In 2011-12, 194 alternates received scholarships.

Scholars receive a maximum of \$2,250 per year of which half is funded by the state through a GPR sum sufficient appropriation and half is funded by the institution. Tuition and fees in excess of \$2,250 are the responsibility of the student.

For each year the student is enrolled full-time, he or she must maintain a cumulative GPA of at least 3.0 and make satisfactory progress toward a vocational diploma or an associate or bachelor degree. A student may lose and then regain

program eligibility as his or her cumulative GPA fluctuates. No student is eligible for a scholarship for more than four years at a UW or private, nonprofit postsecondary institution or for more than three years at a Wisconsin technical college.

In 2011-12, a total of 2,895 academic excellence scholars were enrolled in Wisconsin postsecondary institutions: 782 freshmen, 734 sophomores, 713 juniors, and 666 seniors. The enrolled students represent approximately 83% of the 3,494 available scholarships with the remaining 17%, or 599 scholarships, going unused. The total value of the scholarships provided was \$6,136,698 of which \$3,068,349 was funded through HEAB. Table 10 shows the number of Academic Excellence Scholarship recipients by institution for the past four years.

**2. Wisconsin Covenant (HEAB):** The Wisconsin covenant program provides grants to students who have been designated as Wisconsin covenant scholars and who are enrolled in UW institutions, technical colleges, private, nonprofit colleges and universities, and tribal colleges located in this state. To be designated as a Wisconsin covenant scholar, a student must have signed the Wisconsin covenant pledge as an eighth grader and fulfilled the pledge by his or her senior year of high school. Students were first able to sign the Wisconsin covenant pledge in spring, 2007, and the first covenant scholars enrolled in higher education in 2011-12. Of the 17,900 students who signed the pledge in 2007, 5,436 were designated covenant scholars in 2011, and 5,093 enrolled in Wisconsin institutions and received Wisconsin covenant grants totaling \$3,650,759 in 2011-12. In addition, 535 students received grants totaling \$763,159 through the privately-funded Wisconsin Covenant Foundation.

Under 2011 Act 32, no student may sign the pledge after September 30, 2011. Students who signed the pledge in 2011 will be eligible for Wisconsin covenant grants beginning in 2015-16.

**Table 10: Enrollment Data for Academic Scholars Attending Wisconsin Postsecondary Institutions**

	2008-09	2009-10	2010-11	2011-12
<b>UW System</b>				
Madison	1,500	1,442	1,516	1,457
Milwaukee	81	82	66	80
Eau Claire	158	160	165	154
Green Bay	93	42	44	45
La Crosse	190	182	175	178
Oshkosh	69	61	57	65
Parkside	12	12	9	11
Platteville	54	56	57	66
River Falls	37	29	30	36
Stevens Point	94	100	100	105
Stout	23	22	28	34
Superior	17	20	18	15
Whitewater	55	60	68	66
Colleges	<u>21</u>	<u>30</u>	<u>35</u>	<u>32</u>
Subtotal	2,404	2,298	2,368	2,344
<b>WI Technical</b>				
Milwaukee Area	10	12	7	11
All Others	<u>17</u>	<u>20</u>	<u>18</u>	<u>18</u>
Subtotal	27	32	25	29
<b>Independent Colleges</b>				
Alverno	10	11	8	9
Bellin	6	5	5	3
Beloit	13	12	11	11
Cardinal Stritch	6	5	6	4
Carroll	18	20	27	39
Carthage	20	21	21	20
Columbia Nursing	0	0	0	1
Concordia	18	20	21	22
Edgewood	11	10	8	9
Lakeland	3	1	1	3
Lawrence	36	31	32	32
Maranatha	13	13	11	9
Marian	7	7	5	9
Marquette	172	184	162	154
Milw. Art & Design	3	2	2	3
Milw. Sch. of Engrng.	29	40	43	40
Mount Mary	7	5	6	6
Northland College	7	9	8	6
Northland International	0	1	2	2
Ripon	31	34	35	34
St. Norbert	46	47	51	50
Silver Lake	0	0	1	2
Viterbo	23	24	29	34
Wisc. Lutheran	<u>15</u>	<u>21</u>	<u>22</u>	<u>20</u>
Subtotal	494	523	517	522
<b>Total</b>	<b>2,925</b>	<b>2,853</b>	<b>2,910</b>	<b>2,895</b>

The grant program is scheduled to end in 2020-21 when no students will be eligible for grants through the program.

To be designated a Wisconsin covenant scholar, a student must: (1) have enrolled in the program by September 30th of the student's freshman year in high school; (2) receive a diploma from a Wisconsin high school; (3) maintain a B average while in high school; (4) complete a course of study that prepared the student for enrollment in a college or university and apply and do all that is necessary to gain admission to an eligible institution; (4) demonstrate good citizenship; (5) submit a FAFSA by April 1 of the student's senior year; and (6) complete the Wisconsin covenant scholar verification form by April 1 of the student's senior year of high school.

Students may receive grants for up to eight semesters during the first five years after high school graduation. To maintain eligibility, students must: (1) enroll in at least six credits at an eligible institution; (2) maintain acceptable academic standards as determined by the institution attended; (3) file the FAFSA annually; and (4) not be convicted of a felony or a misdemeanor involving bodily harm or a dangerous weapon.

Unlike other state-funded financial aid programs, Wisconsin covenant grants are awarded based a combination of merit and financial need. To receive a Wisconsin covenant scholars grant, a student must be designated as a Wisconsin covenant scholar based primarily on his or her academic performance; however, Wisconsin covenant scholars grants are awarded to designated Wisconsin covenant scholars based on each student's need as measured by his or her EFC. Table 11 shows grant amounts provided to Wisconsin covenant scholars in 2012-13. The amount of state-funded Wisconsin covenant scholars grants for students in their first and second years of enrollment are set by administrative rule. Grants for the third and fourth years of enrollment will be determined using a formula approved by the HEAB Board. Grants to students with EFCs greater than \$12,000 are considered to be non-need-based.

Table 11 also shows the amount of grants provided by the Wisconsin Covenant Foundation. The Wisconsin Covenant Foundation is a non-profit corporation that was initially established to raise funds to provide financial aid to low-income students who fulfill the Wisconsin covenant pledge. In November, 2007, the Great Lakes Higher Education Corporation and Affiliates, which guarantees and services loans made to stu-

**Table 11: Wisconsin Covenant Grant Amounts for Full-Time Students During the First Two Years of Enrollment**

Student EFC	Wisconsin Covenant Scholars Grant	Wisconsin Covenant Foundation Grant	Total
<b>Enrolled Full-Time</b>			
Equal to \$0	\$1,000	\$1,500	\$2,500
Greater than \$0, not more than \$3,499	1,500	1,000	2,500
Greater than \$3,499, not more than \$11,999	1,000	0	1,000
Greater than \$12,000	250	0	250
<b>Enrolled Part-Time</b>			
Equal to \$0	\$750	\$1,500	\$2,250
Greater than \$0, not more than \$3,499	750	1,500	2,250
Greater than \$3,499, not more than \$11,999	500	0	500
Greater than \$12,000	125	0	125

dents enrolled in Wisconsin postsecondary institutions, pledged \$40 million to endow the Wisconsin Covenant Foundation. In 2011-12, the first year that grants were awarded, the Foundation provided \$1,500 grants only to students with EFCs of \$0.

**3. License Plate Scholarships (Department of Transportation and UW System).** This program is funded with revenues generated by a \$20 annual fee charged to drivers who have a University of Wisconsin specialty license plate. Specialty plates are available for each of the 13 four-year institutions and the revenues generated by each institution's plates are used to fund scholarships awarded by the chancellor. In 2011-12, 86 scholarships totaling \$199,100 were awarded through this program.

**4. Sustainable Management Scholarship (UW-Extension).** Created by 2009 Act 28, this program provides scholarships to students enrolled in the sustainable management degree program through UW-Extension. In 2011-12, scholarships totaling \$100,000 were provided to 50 students. This program is funded with income and interest transferred from the normal school fund, which is a segregated fund.

## **Institutional Aid**

Institutional financial aid is funding allocated for financial aid programs by institutions of higher education and excludes state and federal funds received for by the institution that purpose.

**1. UW Institutional Financial Aid.** In 2010-11, UW students received \$74.4 million in need-based and non-need-based financial aid through institutionally-funded grant, scholarship, and loan programs. Of this amount, \$19.7 million was distributed through need-based programs and \$54.7 million was distributed using other criteria. These programs are funded through gifts and donations, trust funds, the UW Alumni Research Foundation, and, at UW-Eau Claire and UW-

Madison, tuition differentials. UW-Madison provides the greatest amount of institutional financial aid, totaling \$49.6 million in 2010-11. Milwaukee and Green Bay provided the second and third most institutional aid at \$9.8 million and \$2.7 million, respectively.

**2. Technical College Institutional Financial Aid.** Technical colleges offer institutional assistance to students through grants from technical college foundations and through student employment. For 2010-11, technical colleges provided approximately \$2.0 million in institutional assistance to students. These funds were distributed as scholarships (\$1,607,448), non-need-based employment (\$330,600), loans (\$79,382), matching funds for academic excellence scholars (\$16,314), and need-based grants (\$6,450).

**3. Aid Provided by Independent Colleges and Universities for Resident Undergraduates.** For 2010-11, individual private colleges and universities in Wisconsin provided a total of \$178.7 million in institutional aid to resident undergraduate students. Need-based grants (\$73.3 million) and non-need-based scholarships (\$95.3 million) accounted for almost 95% of the aid funded by these institutions. In 2010-11, approximately one-third of need-based aid and two-fifths of non-need-based aid provided to resident undergraduates attending independent colleges was funded by the institution.

## **Special Programs**

**1. Minnesota-Wisconsin Reciprocity Program (HEAB).** 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 Office of Higher Education

(MOHE). 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 MOHE 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 Tuition Remissions for Graduate Assistants.** UW-Madison and UW-Milwaukee provide full remission of resident and nonresident tuition for teaching assistants, program/project assistants, and research assistants with appointments of at least 33%. Remissions for graduate assistants at the comprehensive institutions are handled on an institution-by-institution basis.

In 2011-12, a total of 8,248 graduate assistants and fellows received approximately \$108.7 million in remissions. Of these, 2,050 students were residents who received remissions totaling \$14.7 million. Of graduate students who received remissions under this provision, 78% were enrolled at UW-Madison while approximately 17% attended UW-Milwaukee.

**3. 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) needy and worthy students on the basis of merit; (2) students who are deserving of relief due to extraor-

inary circumstances; and (3) needy and worthy foreign students and U.S. citizens not currently residing in the U.S. The value of these remissions is limited to the value of such remissions in 1970-71 adjusted for tuition increases since 1976-77. In 2011-12, 2,468 nonresident undergraduate students received remissions totaling \$14.0 million and 419 nonresident graduate students received remissions totaling \$3.0 million under these provisions.

**4. Athletic Scholarships (UW System).** The Regents may remit both resident and nonresident tuition as athletic scholarships. Currently, four UW institutions (Madison, Milwaukee, Green Bay and Parkside) are in NCAA divisions that allow the granting of athletic scholarships. For 2011-12, these institutions granted remissions totaling \$9.7 million to 1,155 student athletes. The NCAA allows institutions to divide a scholarship among several athletes for all sports except football, men's and women's basketball, women's gymnastics, women's volleyball, and women's tennis.

**5. Tuition Remissions for Veterans (UW System and WTCS).** The UW System Board of Regents and technical college district boards must remit 100% of tuition and fees, less any amount paid under the federal Post-9/11 G.I. Bill, for up to 128 credits or eight semesters, whichever is longer, to eligible veterans. To qualify as a veteran eligible for this remission, a student must be verified by the Department of Veterans Affairs as: (a) being a resident of this state for the purpose of receiving benefits; (b) having been a resident of this state at the time of entry into the armed services; and (c) having qualifying military service. In 2011-12, the UW System provided tuition and fee remissions totaling \$8.1 million to 1,913 veterans. Of this amount, \$2.2 million was remitted to veterans enrolled as graduate and professional students. The Wisconsin technical colleges provided remissions totaling \$2.7 million to 2,055 veterans



in that year.

Beginning in the spring, 2010, semester, veterans who are eligible for benefits under the federal Post-9/11 G.I. Bill have been required to use those benefits before accessing state tuition and fee remissions. The federal Post-9/11 G.I. Bill provides education benefits, including the direct payment of tuition and fees, a monthly housing allowance, and an annual books and supplies stipend, to veterans who served at least 90 days of active duty (or 30 days in the case of a service-related disability) after September 10, 2001. Students are required to use Post-9/11 G.I. Bill benefits before receiving state tuition and fee remissions even if they are eligible for benefits under the Montgomery G.I. Bill or certain other federal education programs for veterans unless the student is eligible for 12 months or less of benefits under those programs. Under 2011 Act 32, credits that are wholly paid for with Post-9/11 G.I. Bill benefits do not count against the 128 credit limit on state remissions. In cases where Post-9/11 G.I. Bill benefits pay for a fraction of a credit and the remainder is remitted under state law only the portion of the credit that is remitted is counted against the 128 credit limit.

Of the 1,913 UW students and 2,055 technical college students who received tuition remissions under state statute, Post-9/11 G.I. Bill education benefits paid a portion of tuition and fees for 773 UW students and 709 technical college students. An additional 1,886 UW students and 1,668 technical college students were eligible for remissions under state statute but had their tuition and fees wholly paid with Post-9/11 G.I. Bill benefits. Although these students did not receive remissions through the state program, they were eligible to receive reimbursement/supplemental payments (described below) from the institution attended. In 2011-12, Post-9/11 G.I. Bill tuition and fee payments for veterans to UW institutions totaled \$16,574,553. The technical colleges received \$4,931,034 in tuition and fee payments

for veterans through the Post-9/11 G.I. Bill in that year. Payments from the Post-9/11 G.I. Bill program have reduced the amount of state tuition remissions to veterans which peaked in 2008-09.

The Montgomery G.I. Bill provides a monthly stipend to veterans who are enrolled as students which can be used for tuition, books and supplies, and living expenses. Veterans whose stipend under the Montgomery G.I. Bill or certain other federal education programs would have exceeded the amount of the monthly housing allowance provided under the Post-9/11 G.I. Bill (adjusted to reflect the annual books and supplies stipend) are reimbursed by the institution attended for the difference in these benefits. In 2011-12, the UW System provided reimbursement/supplemental payments totaling \$1.8 million to 897 veterans and the Wisconsin technical colleges provided \$1.1 million to 685 veterans.

A GPR appropriation under the Higher Educational Aids Board (HEAB) has been provided to reimburse, in whole or in part, the UW Board of Regents and the Wisconsin technical college district boards for remissions provided to veterans, for remissions provided to the children and spouses of certain veterans (described in the following section), and for reimbursement/supplemental payments made to veterans, children, and spouses. In 2011-12, the appropriation was set at \$6,496,700 and the UW Board of Regents received a reimbursement payment of \$4.6 million while the Wisconsin technical college district boards received reimbursements totaling \$1.9 million. This amount fully funded all reimbursement/supplemental payments made directly to veterans and reimbursed the institutions for approximately 17.5% of remissions provided to veterans, children, and spouses. Remissions costs beyond the amount reimbursed through the HEAB appropriation must be absorbed within the UW System's and the Wisconsin technical college district boards' budgets or funded through other revenues such as tuition

charged to other students.

**6. Tuition Remissions for Children and Spouses of Eligible Veterans (UW System and WTCS).** The UW System Board of Regents and each technical college district board must remit 100% of tuition and fees, less any amount paid under the federal Post-9/11 G.I. Bill, to the spouse, unremarried surviving spouse, and children of eligible veterans. An eligible veteran is one who: (1) was a resident at the time of entry into the armed services; (2) served under honorable conditions; (3) either died on active duty, died on inactive duty for training purposes, died as the result of a service-related disability, or has been awarded at least a 30% service-related disability rating; and (4) was a resident of this state at the time of death or service-related disability.

Children and spouses may receive remissions for up to 128 credits or eight semesters, whichever is longer. The spouse, in the case of disability, or the unremarried surviving spouse, in the case of death, of an eligible veteran is eligible for this remission during the first ten years after the receipt of the disability rating or the death of the eligible veteran or until 10 years after the youngest child the spouse had with the veteran reaches or would have reached 18 years of age. Children of eligible veterans may receive this remission as long as they are at least 17 years of age and not yet 26 years of age, regardless of when the eligible veteran died or received his or her disability rating.

As with veterans, children and spouses who are eligible for benefits under the federal Post-9/11 G.I. Bill have been required to use those benefits before accessing state tuition and fee remissions since the spring, 2010, semester. This applies even if they are eligible for benefits under the Montgomery G.I. Bill or certain other federal education programs unless the student is eligible for 12 months or less of benefits under those programs. Children and spouses whose stipend

under the Montgomery G.I. Bill or certain other federal education programs would have exceeded the amount of the monthly housing allowance provided under the Post-9/11 G.I. Bill (adjusted to reflect the annual books and supplies stipend) are reimbursed by the institution attended for the difference in these benefits.

In 2011-12, the UW System provided tuition and fees remissions totaling \$8.2 million to 1,236 students under this provision. In addition, the technical colleges remitted \$1.6 million in tuition and fees to 812 students. The UW Board of Regents and the individual technical college district boards were reimbursed for approximately 17.5% of the cost of these remissions through a GPR appropriation under HEAB. Of the 1,236 UW students and 812 technical college students who received tuition remissions under state statute, 26 UW students and seven technical college students also received education benefits under the Post-9/11 G.I. Bill. An additional 249 UW students and 96 technical college students were eligible for remissions under state statute but had their tuition and fees wholly paid with Post-9/11 G.I. Bill benefits. These students were also eligible to receive reimbursement/supplemental payments. In 2011-12, Post-9/11 G.I. Bill tuition and fee payments to UW institutions for children and spouses totaled \$618,299. The technical colleges received \$183,494 in tuition and fee payments for children and spouses through the Post-9/11 G.I. Bill in that year. While payments from the Post-9/11 G.I. Bill program have reduced the amount of tuition remitted by UW institutions and the technical colleges to the children and spouses of disabled and deceased veterans, these remissions have continued to grow.

Table 12 shows the total amount of tuition and fee remissions to veterans, children, and spouses, the amount of reimbursement/supplemental payments made to veterans, children, and spouses, HEAB reimbursement payments to institutions, and the net cost of remissions to the UW institutions and Wisconsin technical colleges

**Table 12: Tuition and Fee Remissions to Veterans, Children, and Spouses, Supplemental Payments, HEAB Reimbursements, and the Net Cost of Remissions to the Institutions, 2005-06 to 2011-12**

	UW Institutions			Wisconsin Technical Colleges			
	Reimbursements/ Supplemental Remissions	HEAB Reimbursements	Net Cost to the Institutions	Reimbursements/ Supplemental Remissions	HEAB Reimbursements	Net Cost to the Institutions	Net Cost to the Institutions
2005-06	\$4,315,667	N.A.	\$4,315,667	\$392,050	N.A.	\$392,050	\$392,050
2006-07	7,462,606	N.A.	7,462,606	875,000	N.A.	875,000	875,000
2007-08	17,489,161	N.A.	13,583,761	5,006,343	\$1,108,300	3,898,043	3,898,043
2008-09	21,572,833	N.A.	16,455,133	6,088,941	1,444,600	4,644,341	4,644,341
2009-10	19,042,148	\$576,885	14,854,391	5,658,973	\$487,428	4,414,343	4,414,343
2010-11	16,231,342	1,920,347	13,489,246	4,309,030	1,106,388	3,581,161	3,581,161
2011-12	16,210,517	1,780,871	13,381,001	4,303,632	1,134,701	3,552,020	3,552,020

from 2005-06 to 2011-12. (The net cost of remissions to the institutions is the sum of the remissions and the reimbursement/supplemental payments less the HEAB reimbursement.) As shown in the table, total remissions to veterans, children, and spouses peaked in 2008-09, the year before students were required to access their federal Post-9/11 G.I. Bill benefits before receiving remissions under state statute. Despite this, remissions to veterans, children, and spouses cost UW institutions \$13.4 million in forgone tuition revenue and technical colleges \$3.6 million in forgone tuition revenue in 2011-12. Remissions costs beyond the amount reimbursed through the HEAB appropriation must be absorbed within the UW System's and the Wisconsin Technical College district boards' budgets or funded through other revenues such as increases in tuition charged to other students.

**7. Tuition Remissions for Children and Spouses of Certain Protective Services Officers (UW System and WTCS).** 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 surviving 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 or died as the result of a qualifying disability. 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 2011-12, the UW System remitted \$29,760 to six students under this provision; the technical colleges remitted \$1,060 to one student. In each year of the 2011-13 biennium, \$14,200 GPR is provided to the WTCS Board to cover the cost of these remissions. Funding for these remissions was rolled into the UW System's GPR general program operations appropriation under 2011 Act 32.

**8. Tuition Remissions for Funeral Assistants (UW System).** Under 2005 Act 22, a funeral director may issue a tuition voucher in the amount of \$25 to a student who sounds "Taps" during a funeral for which military honors are held. To be eligible for this voucher, the student must be enrolled in grades 6 through 12 or at a post-secondary institution. These tuition vouchers may be used for the payment of tuition at any UW institution. In 2011-12, 13 students used vouchers totaling \$2,900.

**9. Tuition Award Program (UW System).** Under the tuition award program (TAP), the Board of Regents may exempt from nonresident tuition up to 300 juniors and seniors at UW-Parkside and up to 225 students at UW-Superior

who are enrolled in programs identified by the campuses as having excess capacity. In 2011-12, 262 students enrolled at Parkside and 190 students enrolled at Superior under the TAP program.

**10. Wisconsin Educational Opportunity Programs (Public Instruction).** The Department of Public Instruction administers one state-funded and one federally-funded financial aid program through the Wisconsin Educational Opportunity Program (WEOP). A third financial aid program, the talent incentive program, is administered jointly by HEAB and WEOP and described earlier in this paper. The two programs administered solely by WEOP are:

*Precollege Scholarship Program.* This program provides grants to economically disadvantaged middle school and high school students to cover full student costs of precollege programs, including courses, books, supplies, and room and board, if necessary. 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 2010-11, 3,059 middle and high school students received a total of \$2,084,600 to fund their participation in precollege programs statewide.

*Gear Up Program.* Since 1995-96, WEOP has administered this federal program. In 2010-11, 366 low-income students received college scholarships totaling \$1,168,300 through the program.

**11. College Work-Study (Federal).** This is a campus-based program that provides part-time jobs for undergraduate and graduate students. Students may be employed by the institution or public or private employers and must be paid the

federal minimum wage. In most cases, institutional, public, and private, nonprofit employers must provide at least 25% of the student's salary and private, for-profit employers must provide at least 50% of the student's salary. The remainder of the student's salary is paid by the federal work-study program. Individual institutions may require that employers pay a greater share of the student's salary; by reducing the percentage of the salary paid by the federal work-study program, the institution is able to increase its number of work-study participants. 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 2010-11, a total of \$20.9 million was provided to 13,679 students, averaging \$1,529.

**12. Wisconsin's Section 529 College Savings Program.** The Department of Administration, through its State Capital Finance Office, manages two Section 529 college savings plans: EdVest and Tomorrow's Scholar. These programs were initially established by 1999 Act 44 and subsequently modified by 2001 Act 7, 2001 Act 38, 2005 Act 478, and 2011 Act 32. Both EdVest and Tomorrow's Scholar are available nationwide. These plans represent two of more than 80 qualified state tuition plans under section 529 of the U.S. Internal Revenue Code (IRC 529), designed as a savings vehicle for higher education expenses with certain tax advantages. They are administered by the Department of Administration under the authority of the College Savings Program Board.

The College Savings Program Board is composed of 11 members (the Secretary of Administration, 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 (or their designees), and six public members appointed by the Governor to four-year terms). From 2005 to October 2012, day-to-day management of the program was contracted to Wells Fargo Funds Management, LLC, which was responsible for the program's investment management, marketing activities, account administration, and record-keeping. Starting October 29, 2012, the EdVest and Tomorrow's Scholar programs are managed by Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) Tuition Financing, Inc. (TFI). Direct-sold EdVest plans are solely managed by TFI, while operation of the advisor-sold Tomorrow's Scholar plan has been subcontracted through TFI to ING Investment Management.

Under both of the savings plans, any person aged 18 or over may open an account and the beneficiary may be any person including the account owner. Within each owner-beneficiary relationship, multiple investment portfolios are permitted to allow for investment diversification.

There is no state residency requirement or income limitation. Under TFI management, EdVest accounts require a minimum initial investment of \$25 per investment portfolio. Under ING Investment Management, Tomorrow's Scholar accounts require a minimum initial investment of \$250 per investment portfolio. There is no limit on the maximum annual contribution except that the maximum amount that may be contributed to a single beneficiary in aggregate from all sources and plans (including EdVest, Tomorrow's Scholar, and Tuition Units) is currently \$330,000. The beneficiary 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.

Both plans offer a range of investment choices. There are currently 20 different static portfolio choices under the EdVest college savings plan, and two age-based choices where the contributions in the account are periodically shifted from more aggressive to more conservative fund portfolios based on the number of years remaining before the account beneficiary will be enrolled in a higher educational institution. Investors may choose between an aggressive or moderate growth track. These age-based portfolios are a blend of multiple underlying funds, primarily passive index funds.

The Tomorrow's Scholar college savings plan includes a variety of fund portfolio choices and is only available through a financial advisor. There are three age-based tracks, using nine different risk-based multiple fund portfolios. Investors may select from the nine portfolios as well as 15 additional single fund static options. Underlying fund managers include BlackRock, Clarion, Columbia, ING, PIMCO, Templeton, and Wells Fargo.

Currently, IRC 529 regulations allow investment reallocation or changes only once during any 12-month period. A twice-per-year exception was allowed for tax years 2009 and 2010.

Under current law, Wisconsin residents may deduct up to \$3,000 annually, per beneficiary, from state taxes except that married couples filing separately and divorced parents may only deduct up to \$1,500 each. Parents, grandparents, great grandparents, aunts, and uncles of the beneficiary who made contributions to the program are eligible for the Wisconsin tax deduction. Account owners may also claim a deduction for contributions made to their own account.

Investment earnings and distributions from an account established through a section 529 qualified program, including Wisconsin's EdVest and Tomorrow's Scholar, programs of other states, and by private institutions, are exempt from

both federal and Wisconsin income taxes if the withdrawals are used for qualified higher education expenses.

Investment earnings on the contributions may be withdrawn for non-higher education expenses, but would be subject to state and federal taxes and may be subject to an additional 10% federal tax on the earnings. The 10% federal tax addition does not apply in the following cases: (a) withdrawals used for a qualified educational expense; (b) withdrawals due to death or disability of the intended beneficiary; (c) distributions made on account of a scholarship, allowance, or payment attributable to the beneficiary's enrollment at an eligible educational institution; (d) transfers to another qualified 529 account; or (e) qualified higher education expenses of the beneficiary in

qualifying for an American Opportunity Credit, Hope Scholarship Credit, or Lifetime Learning Credit. Section 529 also allows for the change of beneficiaries to another family member of the previous beneficiary without tax penalty.

Under both EdVest and Tomorrow's Scholar college savings plans, there is a \$25 per year account maintenance fee, which is waived for Wisconsin residents. It is also waived if an automatic deduction plan has been elected, or if the account balance is above \$25,000. In addition, there are annual asset-based fees, 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. Tables 13 and 14 show the applicable fees under TFI and ING management for each

**Table 13: College Savings Program Summary of Portfolio Expenses Assessed as % of Account Assets**

	<u>Administrative Fee</u>		Underlying Fund Expense	Portfolio Expense Total
	State*	Program Manager		
CD - Bank Portfolio	0.00%	0.08%	0.00%	0.08%
Principal Plus Interest Portfolio**	0.00	0.00	0.00	0.00
Active-Based Aggressive	0.00	0.08	0.29	0.37
Active-Based Conservative	0.00	0.08	0.36	0.44
Active-Based Growth	0.00	0.08	0.32	0.40
Active-Based Income	0.00	0.08	0.37	0.45
Active-Based Moderate Growth	0.00	0.08	0.35	0.43
Index-Based Aggressive**	0.00	0.08	0.13	0.21
Index-Based Conservative Growth**	0.00	0.08	0.18	0.26
Index-Based Growth**	0.00	0.08	0.14	0.22
Index-Based Income**	0.00	0.08	0.21	0.29
Index-Based Moderate Growth**	0.00	0.08	0.15	0.23
Age-Based Tracks, Blended Portfolios	0.00	0.08	0.13-0.20	0.21-0.28
Balanced	0.00	0.08	0.09	0.17
Bond Index	0.00	0.08	0.13	0.21
International Equity Index	0.00	0.08	0.12	0.20
Large-Cap Stock Index	0.00	0.08	0.07	0.15
Small-Cap Stock Index	0.00	0.08	0.15	0.23
Social Choice**	0.00	0.08	0.19	0.27
US Equity Active**	0.00	0.08	0.20	0.28
US Equity Index**	0.00	0.08	0.07	0.15

\*The College Savings Program Board has voluntarily waived the entire Board Fee of 0.10% (0.05% for the Wells Fargo Stable Value Portfolio). The State Administration Fees shown include these waivers. Voluntary waivers may be modified or terminated at any time.

\*\*Portfolios new to plan.

**Table 14: College Savings Program Summary of Tomorrow's Scholar Portfolio Expenses (Share Class A) -- Assessed as % of Account Assets for Wisconsin Residents**

Fixed Portfolio	State	Administrative Fee		Distribution and Service Fee	Portfolio Expense Total
		Program Manager	Underlying Fund Expense		
Aggressive	0.00%	0.20%	0.87%	0.25%	1.32%
ING 529 Aggressive*	0.10	0.08	0.75	0.25	1.18
ING 529 Conservative	0.10	0.08	0.50	0.25	0.93
ING 529 Conservative Plus	0.10	0.08	0.56	0.25	0.99
ING 529 Growth	0.10	0.08	0.70	0.25	1.13
ING 529 Growth Plus	0.10	0.08	0.74	0.25	1.17
ING 529 Moderate	0.10	0.08	0.66	0.25	1.09
ING 529 Moderate Conservative	0.10	0.08	0.62	0.25	1.05
ING 529 Moderate Growth*	0.10	0.08	0.68	0.25	1.11
ING 529 Ultra Conservative	0.10	0.08	0.44	0.25	0.87
ING Age-Based Tracks, Blended Portfolios	0.10	0.08	0.44-0.75	0.25	0.87-1.18
Principal Plus Interest*	0.10	0.08	0.00	0.05	0.23
Black Rock Global Allocation*	0.10	0.08	0.89	0.25	1.32
Columbia Dividend Opportunity*	0.10	0.08	0.85	0.25	1.28
Columbia Limited Duration*	0.10	0.08	0.59	0.25	1.02
ING Clarion Global Real Estate*	0.10	0.08	0.99	0.25	1.42
ING Corporate Leaders 100*	0.10	0.08	0.65	0.25	1.08
ING GNMA Income*	0.10	0.08	0.65	0.25	1.08
ING High Yield Bond*	0.10	0.08	0.72	0.25	1.15
ING International Core*	0.10	0.08	0.95	0.25	1.38
ING Large Cap Growth*	0.10	0.08	0.60	0.25	1.03
ING Large Cap Value*	0.10	0.08	0.81	0.25	1.24
ING Mid Cap Opportunities*	0.10	0.08	0.91	0.25	1.34
ING PIMCO Total Return Bond*	0.10	0.08	0.57	0.25	1.00
ING Small Cap Opportunities*	0.10	0.08	1.11	0.25	1.54
ING Templeton Foreign Equity*	0.10	0.08	0.92	0.25	1.35
TIAA-CREF Balanced*	0.10	0.08	0.09	0.25	0.52
TIAA-CREF Bond Index*	0.10	0.08	0.13	0.25	0.56
TIAA-CREF Equity Index*	0.10	0.08	0.07	0.25	0.50
TIAA-CREF International Equity Index*	0.10	0.08	0.09	0.25	0.52
TIAA-CREF Principal Protection*	0.10	0.08	0.00	0.05	0.23
TIAA-CREF Small-Cap Blend*	0.10	0.08	0.15	0.25	0.58
Wells Fargo Advantage Small Cap Value*	0.10	0.08	1.12	0.25	1.55

\*Portfolios new to plan

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. The \$25 Account Maintenance Fee is also waived for Wisconsin residents.

investment option as of October, 2012, share classes not shown in Table 14 may be sold by financial advisors, and have differing asset-based fees and caps on deferred sales changes.

As of June 30, 2012, EdVest had a total of 188,952 direct- and advisor-sold open accounts with assets of \$1,950,967,316, and Tomorrow's Scholar had 78,996 advisor-sold open accounts with assets of \$917,817,637. As of October 29,

2012, advisor-sold EdVest accounts no longer exist. EdVest accounts previously sold through financial advisors were transferred on that date to the Tomorrow's Scholar program.

*College Tuition and Expenses Program.* From July, 1997, to December, 2002, investors could participate in the college tuition and expenses program, also known as the tuition unit purchase program. The State Treasurer discontinued this program in December, 2002, barring any future enrollments or the sale of any new tuition units to current accountholders. Current tuition unit account holders may continue to hold their tuition unit investments until maturity or may convert their account to any of the investment choices now offered under the college savings program. As of June 30, 2012, there were approximately 700 accounts under this program with total assets of about \$6.8 million. The assets of these remaining accounts are invested by the State of Wisconsin Investment Board, and were not affected by the October, 2012 transition.

## **Tax Incentives**

**1. Higher Education Tax Deduction (State and Federal).** Since tax year 1998, state law has allowed a deduction from income for tuition expenses. The deduction applies to tuition, including mandatory student fees, paid on behalf of the taxpayer or the taxpayer's dependent child. Allowable tuition expenses include tuition paid to attend any university, college, technical college, or school approved by the Education Approval Board that is located in Wisconsin, or to attend an institution under the Minnesota-Wisconsin tuition reciprocity agreement. A student cannot claim a tuition deduction for tuition and fees amounts paid using a distribution from a Wisconsin 529 account.

The maximum tuition deduction equals twice the average amount of resident undergraduate tuition charged by UW System four-year

institutions for the most recent fall semester. For tax year 2012, the maximum deduction was \$6,543.

The deduction is phased out by federal adjusted gross income (AGI) and filing status. The phase-out ranges are as follows: (a) \$50,000 to \$60,000 for single and head-of-household filers; (b) \$80,000 to \$100,000 for married couples filing joint returns; and (c) \$40,000 to \$50,000 for married couples filing separate returns.

A federal deduction is permitted for qualified higher education expenses. The maximum federal deduction is set at \$4,000, but is limited based on the taxpayer's AGI (\$65,000, if single, and \$130,000 if joint). The deduction is reduced to \$2,000 for taxpayers with a higher AGI (up to \$80,000, if single, and \$160,000, if joint). This deduction is scheduled to expire after tax year 2013. Wisconsin has not adopted the federal deduction for state purposes, but has its own deduction as noted above.

**2. Post-Secondary Education Tax Credit (State).** Since tax year 2010, a post-secondary education tax credit has been provided under the state individual income and corporate income/franchise taxes equal to 25% of the tuition that the claimant pays or incurs for an individual to participate in an education program of a qualified post-secondary institution, if the individual is enrolled in a course of instruction and is eligible for a federal Pell grant. The credit percentage is increased to 30% if the student is enrolled in a course of instruction that relates to a projected worker shortage in the state.

A claimant cannot claim a tax credit for any tuition amounts that are paid or incurred for a family member, or for a family member of a managing employee, unless all of following criteria are met: (1) the family member is employed an average of at least 20 hours per week as an employee of the claimant, or the claimant's business, during the one-year period prior to com-



mencing participation in the education program for which the tax credit is claimed; and (2) the family member is enrolled in a course of instruction that is substantially related to the claimant's business.

A "qualified post-secondary institution" means: (1) a University of Wisconsin System institution, a technical college system institution, or a regionally accredited four-year, nonprofit college or university having its regional headquarters and principal place of business in Wisconsin; and (2) a school approved by the Educational Approval Board, if the delivery of education occurs in Wisconsin.

**3. American Opportunity Tax Credit/ Hope Scholarship Credit (Federal).** Since tax year 2009, the American Opportunity tax credit has replaced the Hope Scholarship tax credit on a temporary basis. The American Opportunity tax credit is available to individuals who pay qualified tuition and related expenses of higher education for either themselves, their spouse, or a dependent and is available for up to four years. Degree-seeking students who are enrolled at least half-time are eligible for a tax credit of up to 100% of the first \$2,000 and 25% of the second \$2,000 in tuition expenses. Eligible expenses include tuition, required fees, and course materials less any grants, scholarships or other tax-free financial assistance. For tax year 2012, the credit is gradually phased out for taxpayers with taxable incomes between \$80,000 and \$90,000 for single filers and between \$160,000 and \$180,000 for joint filers. Up to 40% of the credit is refundable.

Under the American Taxpayer Relief Act of 2012, the American Opportunity tax credit will be available through tax year 2017. Thereafter, the Hope Scholarship tax credit will be available to taxpayers. This credit is limited to expenses incurred in the first two years of post-secondary education and is calculated at 100% of the first \$1,000 of qualified expenses and 50% of the

second \$1,000 of qualified expenses. These amounts are indexed for inflation and equaled \$1,200 in 2009, when the credit was temporarily replaced. Also, the credit employs lower income phase-out ranges than the American Opportunity tax credit. The phase-out ranges were set at \$40,000 to \$50,000 for single taxpayers and \$80,000 to \$100,000 for joint filers, but indexing had increased these thresholds to \$50,000 to \$60,000 for single filers and \$100,000 to \$120,000 for joint filers in tax year 2009. Finally, textbooks and other course materials are not included as qualified expenses under the Hope Scholarship tax credit.

**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 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. In 2012, the credit phased out for taxpayers with taxable incomes between \$52,000 and \$62,000 for single filers, and between \$104,000 and \$124,000 for joint filers.

**5. 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 oth-

er tax deductions and credits for education, qualified expenses for purposes of a CESA are reduced to reflect other education tax benefits taken.

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

A number of the preceding provisions were enacted on a temporary basis, but the American Taxpayer Relief Act of 2012 makes them permanent.

**6. 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, or the taxpayer's spouse, child, or grandchild.

**7. Student Loan Interest Deduction (State and Federal).** An individual may deduct up to \$2,500 annually for interest paid on student loans during the life of the loan. For tax year 2012, the deduction is phased out for single filers with taxable income between \$60,000 and \$75,000 and for joint filers with taxable income between \$120,000 and \$150,000. After 2012, the income phase-out ranges were scheduled under federal law to revert to lower levels, interest payment deductions were to be limited to the first 60 months for which interest is due, and voluntary interest payments would not have been deductible. The American Taxpayer Relief Act of 2012 permanently extends the higher income phase-out ranges and eliminates the 60-month rule and the disallowance for voluntary interest payments.

**8. 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. This exclusion was scheduled to expire after tax year 2012, but the American Taxpayer Relief Act of 2012 extends the exclusion permanently.

---

### Financial Aid Package

---

After a student applies for financial aid, the college attempts to meet as much of a student's need as possible with 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 student to pay for educational costs. Some elements of a financial aid package are automatically included such as Pell Grants, which are determined when EFC is determined by the federal processor, and WHEG and tuition grants, which are calculated by HEAB. Funding from other programs such as the Supplemental Educational Opportunity Grant, college work-study, and Perkins Loan programs, and institutional aid are controlled and distributed by an institution's financial aid office.

The package is developed in a hierarchy. Generally, students are awarded all available grants before any loans, which are less desirable, are added to the package. In 2010-11, grant funds accounted for 56% of need-based financial aid, with loans at 42%, and work-study at 2%. This ratio varies by the type of institution attended: grants account for 62% of the aid at independent colleges, 59% at technical colleges, and 52% at UW institutions.

Once the financial aid office has compiled the student's financial aid package, the student must accept or decline the aid provided through each program. A student is not obligated 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 can be distributed to them.

Table 15 compares the average student cost, need, and need-based aid awarded per student by type of institution over the most recent five-year period for which information is available. As the table shows, average cost has increased at all three types of institutions over the period shown while average contribution, which is a measure of students' and families' ability to pay, has decreased. This has resulted in an increase in average need of 28% for UW System and technical college students and of 34% for private

college students.

Despite significant increases in aid over the time period shown, increases in aid were less than increases in need for students enrolled in UW System and private institutions. This resulted in an increase in unmet need for students enrolled at those institutions.

---

### Interstate Comparisons

---

The appendix to this paper compares need-based and total grant aid provided by Wisconsin in 2010-11 to that provided by other states in the same year. Wisconsin is above the U.S. midpoint in two of the four measures shown: need-based grants per full-time undergraduate student and need-based grants as a percentage of total grants. Wisconsin falls below the midpoint in terms of the percentage of students who receive aid meaning that relatively fewer students receive

**Table 15: Financial Aid Data by Institution Type: Resident Undergraduates**

	No. of Recipients	Avg. Cost	Avg. Contribution	Avg. Need	Avg. Aid	Unmet Need
<b>UW System</b>						
2006-07	53,501	\$14,450	\$4,688	\$9,762	\$6,423	\$3,339
2007-08	55,730	15,090	4,798	10,292	6,576	3,716
2008-09	57,465	15,806	5,016	10,790	6,628	4,162
2009-10	64,453	16,554	4,849	11,705	7,041	4,664
2010-11	71,710	17,225	4,686	12,539	7,303	5,236
<b>Technical Colleges</b>						
2006-07	35,968	\$11,146	\$3,048	\$8,098	\$3,496	\$4,602
2007-08	37,892	11,881	3,083	8,798	4,077	4,721
2008-09	42,186	12,665	3,335	9,329	4,512	4,817
2009-10	55,845	13,216	2,850	10,366	4,876	5,490
2010-11	55,527	13,128	2,762	10,366	5,267	5,099
<b>Private Colleges</b>						
2006-07	22,545	\$26,209	\$9,119	\$17,090	\$8,791	\$8,299
2007-08	21,416	27,438	8,429	19,009	9,875	9,134
2008-09	22,382	28,802	8,581	20,221	9,943	10,278
2009-10	23,238	29,896	8,310	21,586	10,362	11,224
2010-11	24,741	30,847	7,873	22,974	10,513	12,461

relatively larger grants in Wisconsin as compared to other states. State grant expenditures are 9.0% of total state support for higher education which places Wisconsin at the national midpoint for that metric.

Over the past decade, the amount of need-based aid provided by states has increased nationwide. From 2000-01 to 2010-11, the total amount of state-funded need-based grant aid increased by more than 80% from \$3.5 billion to \$6.4 billion. Similarly, funding for HEAB administered need-based grant programs increased by 79% over that time period from \$64.3 million in 2000-01 to \$114.9 million in 2010-11. It should be noted that while need-based aid provided by the states continued to grow in 2009-10 and 2010-11, percentage increases in need-based aid were less than percentage increases in full-time undergraduate enrollment in those years. As a result, need-based grant expenditures per full-time student have declined in many states despite increases in those expenditures.

From 2000-01 to 2010-11, state-funded non-need-based aid increased by approximately 150% from \$1.1 billion to \$2.7 billion. Over that time period, non-need-based grant aid increased from 24% of all state-funded grant aid to 29% of such aid. In Wisconsin, the academic excellence scholarship (AES) program awards scholarships based solely on academic merit and the Wisconsin covenant scholars grants program awards some grants that are non-need-based. In 2011-12, AES expenditures and non-need-based Wisconsin covenant scholars grants accounted for 3.1% of all expenditures for HEAB-administered state financial aid programs. This was significantly less than the nationwide average reflecting a greater emphasis on need-based, as opposed to merit-based, financial aid in this state.

When comparing funding for student financial aid across the states, it is important to do so in the context of the tuition policy decisions made by

those states. Some states, such as Mississippi, Idaho, and Wyoming, provide low amounts of need-based financial aid but also charge relatively low tuition. These states provide a large higher education subsidy to all students by requiring them to pay a smaller amount of their educational costs through tuition. Other states, such as New Jersey, Illinois, and Pennsylvania, both charge high tuition and provide high amounts of need-based financial aid. These states target higher education subsidies to those students who have the greatest financial need. A third group of states, including New York, Washington, and North Carolina, offer both low tuition and high amounts of need-based financial aid. When compared to other states, Wisconsin charges a relatively high amount of tuition and provides a relatively high amount of financial aid.

Table 16 compares tuition at flagship public universities in Midwestern states for 2010-11 and the estimated need-based grant funds available to students in those states. As the table shows, despite providing more need-based grant aid in dollar terms, need-based grant aid provided by Illinois funded approximately the same percentage of tuition as grants provided by Wisconsin due to Wisconsin's relatively low tuition. By comparison, Indiana provides an above-average amount of need-based aid while charging a below average amount of tuition.

**Table 16: Peer Tuition and Fees at Flagship Campuses and Estimated State-Funded Need-Based Undergraduate Aid (2010-11)**

	Resident Undergraduate Tuition-Fees	Estimated Grant Dollars per FTE*	Grants as % of Tuition
Indiana	\$9,028	\$726	8.0
Illinois	13,658	705	5.2
Wisconsin	8,983	439	4.9
Minnesota	11,792	496	4.2
Iowa	7,419	211	2.8
Michigan	11,837	182	1.5
Ohio	9,420	137	1.5

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

## APPENDIX

### 2010-11 State Grant Dollars to Undergraduate Students by State

	<u>Grants Per Full-Time Student</u>		Estimated % of FTE Students Receiving Aid	Grant Aid as a % of State Higher Ed. Funds
	Need-Based Aid Grants Per Full- Time Student	Need-Based Aid as a Percentage of Total Aid		
New Jersey	\$976	94.4%	36.2%	16.3%
New York	949	96.6	38.3	18.9
Washington	829	98.4	35.1	14.7
North Carolina	770	82.4	46.2	9.6
California	736	100.0	12.2	11.6
Indiana	726	95.0	27.9	16.1
Illinois	705	99.2	22.4	12.8
Texas	682	99.2	30.7	11.8
Pennsylvania	639	100.0	28.2	18.3
Vermont	526	99.5	39.2	21.8
Minnesota	496	99.5	36.1	9.5
Oklahoma	472	87.9	56.8	8.8
Kentucky	463	47.6	54.7	15.8
Connecticut	449	99.6	18.6	5.9
<b>Wisconsin</b>	<b>439</b>	<b>97.4</b>	<b>24.7</b>	<b>9.0</b>
West Virginia	423	41.2	41.8	20.5
Maryland	376	95.4	20.0	5.9
Virginia	364	71.3	32.6	12.2
Delaware	354	71.0	23.0	9.6
South Carolina	319	18.6	61.1	40.2
Tennessee	307	22.8	55.2	21.3
Maine	304	100.0	44.6	5.7
Nevada	293	49.7	49.5	9.6
Colorado	284	99.5	28.7	11.4
Massachusetts	252	93.8	29.1	7.7
New Mexico	239	27.9	46.3	10.9
North Dakota	220	75.4	24.3	3.9
Iowa	211	94.0	8.5	7.6
Rhode Island	201	100.0	22.7	8.4
Florida	195	26.0	41.3	15.5
Missouri	195	62.7	22.1	9.5
Michigan	182	98.8	14.1	4.6
Nebraska	163	100.0	43.1	2.4
Louisiana	144	15.2	44.4	13.9
Puerto Rico	143	58.1	53.1	N.A.
Ohio	137	67.4	15.0	5.5
Kansas	120	99.1	8.3	2.3
Oregon	114	100.0	19.8	3.1
Montana	107	75.3	12.9	3.4
Arkansas	97	8.4	35.7	16.6
Alabama	75	87.6	6.4	1.4
Alaska	75	100.0	12.9	0.4
Hawaii	67	100.0	4.2	0.7
New Hampshire	55	100.0	8.6	2.2
District of Columbia	48	6.0	10.5	N.A.
Arizona	36	99.8	1.7	1.8
Utah	23	42.4	4.0	1.5
Mississippi	23	14.5	18.5	2.4
Idaho	19	26.1	15.3	1.5
South Dakota	10	9.2	8.9	2.4
Wyoming	7	100.0	23.7	4.4
Georgia	4	0.2	70.1	26.4
<b>U.S. Average</b>	<b>\$447</b>	<b>70.8</b>	<b>28.4</b>	<b>12.5</b>
<b>U.S. Midpoint</b>	<b>\$230</b>	<b>93.9</b>	<b>26.3</b>	<b>8.9</b>

Source: National Association of Student Grant and Aid Programs 42nd Annual Survey Report.