



SHAE SORTWELL

STATE REPRESENTATIVE • 2nd ASSEMBLY DISTRICT

Hearing Testimony
Assembly Committee on Colleges and Universities
June 8, 2023
Assembly Bill 86

Chariman Murphy and members of the Assembly Committee on Colleges and Universities – thank you for giving me the opportunity to speak on Assembly Bill 86, relating to permissible financial aid reductions in higher education.

Assembly Bill 86 addresses the unfair practice of scholarship displacement, which is the situation where a student has their college financial aid package reduced due to receiving a private scholarship.

A constituent of mine noted to me that his daughter had received a private scholarship from her rotary club for academic achievement. Instead of truly being rewarded for her achievements, her academic institution, UW-Madison, decided to penalize her by reducing her financial aid package by the amount of her private scholarship.

Punishing those making the effort to earn outside scholarships disincentivizes academic success, places a further burden on the student to pay off their debt, and discourages donors from giving to private scholarship programs.

Unfortunately, this intelligent young lady is not the only person to face this situation. According to a 2021 survey by Student Beans, 50% of U.S. college students who earned a private scholarship experienced scholarship displacement.

Legislation to address this practice was led by Maryland in 2017, the first state to sign it into law. New Jersey has since done the same.

Assembly Bill 86 would ban the practice of scholarship displacement by UW, technical, and private colleges, ensuring Wisconsin students get rewarded for their success.

I want to thank the committee for your time and consideration. I am happy to answer any questions members of the committee may have.



RACHAEL A. CABRAL-GUEVARA

STATE SENATOR • 19TH SENATE DISTRICT

Testimony before the Assembly Committee on Colleges and Universities

Senator Rachael Cabral-Guevara

June 8, 2023

Hello, Chairman Murphy and members of the committee. Thank you for allowing me to provide testimony on Assembly Bill 86, an important piece of legislation that will give both students and families peace of mind when it comes to scholarships they worked for and earned.

Scholarship displacement is an unfair practice where schools reduce the school based aid students earn if a private scholarship is awarded to a student. This results in families having to make tough choices all because their child worked hard and was approved for additional scholarships.

Displacement is not only unfair to students; institutions that work hard to fundraise for private scholarships are now facing a disincentive to do so. With schools reducing aid when a scholarship is awarded by their association, it negates the impact that money would have.

This bill would largely end that practice. If a student earns a scholarship, they should keep it. Additionally, this proposal clarifies that if the accumulated scholarship money exceeds the student's actual financial need, only at that point may institutions reduce their award amounts.

I am hopeful you will be able to support this commonsense piece of legislation that gives families and students alike the financial assurances needed that college planning calls for.

Kevin A. Bauer
5542 Sportsman Drive
De Pere, WI 54115

RE: Assembly Bill 86

08 June 2023

Dear Representatives,

I am writing today in support of Assembly Bill 86 that has been drafted to address what I feel is an unfair and underhanded practice of scholarship displacement within the University of Wisconsin system. Scholarship displacement is when the receipt of private scholarships leads to a reduction in other forms of financial aid to the student. In our case, My Daughter Hannah was awarded a \$2500 scholarship from our local Rotary Club, based on not only her academic success, but also for her work in the community.

The scholarship was to be paid in 2 installments of \$1250 each of her first two semesters. The check from the Rotary Club for the first semester was made payable directly to UW, and was submitted to the bursar and was cashed. However when it was applied to her account, there was a subsequent adjustment of the same amount to her other need based financial aid. In light of that action, we have asked the Rotary Club to withhold the second half of the payment until such time as this policy can be changed, and hopefully might provide actual benefit to the student they selected to reward.

We find this practice to be fundamentally unfair to students that work hard in their high school careers, and are rewarded by their communities only to have that reward taken away by the university. This practice is a disincentive to hard working students, and is also unfair to the groups that raise the funds to award the students only to have those funds redistributed to the system at large. The Rotary Club of De Pere was unaware of this practice within the UW system.

I thank you for your time and consideration of this matter, and hope that you will work to move AB 86 forward to be passed and signed into law. If you have additional questions of me, feel free to reach out by phone 920-309-1436 or e-mail kevin@re-serve.com.

Yours sincerely,

Kevin A. Bauer

C. David Stellpflug
1988 Tyler Lane
De Pere, WI 54115

RE: Assembly Bill 86

June 8, 2023

Dear Representatives,

This is in support of Assembly Bill 86 which is intended to stop the practice of scholarship displacement within the University of Wisconsin system.

I am Executive Director of the De Pere Rotary Club Foundation, a small foundation formed by members of the De Pere Rotary Club in 1969 for the purpose of providing financial aid in the form of scholarships to graduating high school seniors who reside within the boundaries of the De Pere school districts. This is probably not unlike service clubs in your own communities who provide scholarships to local students.

Our scholarship funds are raised largely through contributions from club members who donate with the understanding that the funds will be used to award scholarships to local students. In addition, fundraising in the De Pere community is done with the presentation that the funds raised will be used to award scholarships to local students.

Local guidance counselors help select our scholarship recipients by prescreening prospective applicants. Our Club has a committee of four people interview the applicants and make our final selections based on 5 criteria. Finally, we host a scholarship dinner where we honor the students and try to make it a nice evening for the students and their parents. Again, this is probably not unlike what happens in your local community.

With this background, I was dismayed and disappointed to find out that despite our requirement of local residency, in the face of local fundraising and a rigorous local selection process, the scholarship we award to a local student can be of no benefit to them, but rather, be displaced for the benefit of a student from anywhere who we had no role in selecting. This result is simply not right. I personally find it offensive.

I hope that you will work to end the practice of scholarship displacement by supporting AB 86. If you have any questions, please call me at 920-621-3370 or email me at dave.stellpflug@gmail.com.

Sincerely,

C. David Stellpflug

Testimony of
Kevin Sheridan, Director of Financial Aid, Concordia University Wisconsin

To
Assembly Committee on Colleges and Universities
Thursday, June 8th, 2023

Dear Chairman Murphy and Members of the Committee of Colleges and Universities. Thank you for allowing me to testify before you today. My name is Kevin Sheridan, I have been at Concordia for 11 years, with the past five in the role of the Director of Financial Aid. As a private Lutheran higher education institution, Concordia University Wisconsin serves over 8,000 undergraduate and graduate students per year. On average, undergraduate students are awarded over \$18,000 in institutional grants and scholarships, and 99.6% of traditional undergraduates receive and utilize their financial aid. We invest approximately \$35,000,000 per year in helping to reduce the cost of private higher education for our students. On top of our institutional aid, our students received over 1.2 million dollars in outside scholarships last year.

Financial aid offices, like mine, labor over balancing helping students pay the least amount possible while understanding that the university must maintain its revenue to stay open as a university. Due to this balancing act, the reduction of institutional aid would only come into play for extreme situations, in which there are minimal but necessary occurrences.

Concordia opposes the inclusion of private college and universities in AB 86. Universities who are doing this as normal happenstance should be asked to explain why and should be addressed on an individual manner. For the majority of universities, like Concordia University Wisconsin, this would be another barrier, to impact our ability to offer as much financial aid as possible to as many students as possible.

Furthermore, AB 86 actually encourages the reduction of institutional aid, at a higher frequency than what is currently done. For example, a student with direct costs of \$45,000 and

an Expected Family Contribution (EFC, also known as Student Aid Index (SAI)) of \$55,000 could replace all institutional aid with private scholarships (AB 86, p.6, line 4). Our average EFC is \$36,000 (current methodology), which means that on average, every dollar over \$9,000 would be able to be replaced. Or roughly \$9,000 per student. The way Concordia currently processes something like this, is that we would not even consider the reduction of institutional aid until the student had either received full tuition, in tuition only grants and scholarships (internal and external), or the student was at the maximum of their cost of attendance. Not adjusting institutional aid would result in the student being unable to use the external scholarship.

Thank you for the opportunity to testify and I'm happy to answer any questions you may have.



WISCONSIN

UNIVERSITY OF WISCONSIN-MADISON

Assembly Committee on Colleges & Universities 2023 Assembly Bill 83

Relating to permissible financial aid reductions in higher education.

June 8, 2023

Chairman Murphy and members of the Assembly Committee on Colleges & Universities:

Thank you for the opportunity to submit testimony on Assembly Bill 83 for information only, relating to permissible financial aid reductions in higher education. At the University of Wisconsin-Madison, our Office of Student Financial Aid advises students on their financial aid options, administers university aid programs including Bucky's Tuition Promise and Bucky's Pell Pathway, and provides emergency and basic needs support to students at the university.

The University of Wisconsin-Madison strives to make higher education affordable for all students. One way we do this is by providing financial aid to those who demonstrate a need in order to attend college. Financial aid includes scholarships, grants, other gift aid, work programs, and federal student loans.

Recently, UW-Madison has pioneered programs aimed at giving Wisconsin students from low-income families a post-secondary education with little or no debt after graduation. These programs include Bucky's Tuition Promise and Bucky's Pell Pathway, both of which provide Wisconsin students a period of tuition-free education so that they can complete their degrees. Bucky's Pell Pathway also provides support for housing and other expenses. The financial aid process can be confusing for families. Eligibility criteria for these programs are also simple and clear: for Bucky's Tuition Promise, Wisconsin residents from families who have a household income of \$65,000 or less who are admitted to UW-Madison are guaranteed four years of tuition and fees. For those who are Pell-eligible, this financial support extends to cover other educational expenses. More than one in five UW-Madison's incoming in-state students is benefiting from Bucky's Tuition Promise. They represent 66 of Wisconsin's 72 counties.

While we are still reviewing the recently introduced Assembly Amendment 1 to Assembly Bill 83, at first glance, the usage of the newly created definition of "direct costs" conflicts with other federal definitions around financial aid, particularly 'financial need'. The proposal, as written, changes the definition of need in a way that is inconsistent with the U.S. Department of Education, Federal Student Aid, and other higher education institutions across the country. This has the potential to create confusion

Office of University Relations

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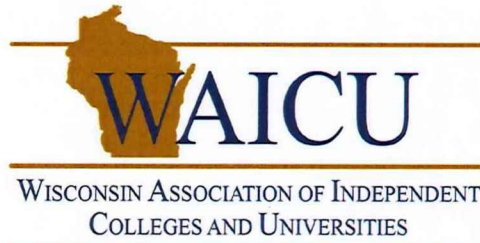
for Wisconsin institutions of higher education and for families when students apply for financial aid at Wisconsin institutions. There is a great deal of consideration of and compliance with federal financial aid guidelines when institutions build a financial aid offer for students, including filling out the Free Application for Federal Student Aid (FAFSA), a federal form that determines financial need and expected family contribution. UW-Madison then works with students and their families to build a financial aid offer that falls within the student's estimated cost of attendance, as defined by federal financial aid guidelines.

Thank you for the opportunity to submit written testimony on the impact that the legislation would have on UW-Madison. Questions can be directed to UW-Madison Senior Director of State Relations Crystal Potts (crystal.potts@wisc.edu; 608-265-4105).

Office of University Relations

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HERZING UNIVERSITY
LAKELAND UNIVERSITY
LAWRENCE UNIVERSITY
MARIAN UNIVERSITY



WISCONSIN'S PRIVATE, NONPROFIT COLLEGES AND UNIVERSITIES
WORKING TOGETHER FOR EDUCATIONAL OPPORTUNITY

MARQUETTE UNIVERSITY
MEDICAL COLLEGE OF WISCONSIN
MILWAUKEE INSTITUTE OF ART & DESIGN
MILWAUKEE SCHOOL OF ENGINEERING
MOUNT MARY UNIVERSITY
NASHOTAH HOUSE
NORTHLAND COLLEGE
RIPON COLLEGE
ST. NORBERT COLLEGE
VITERBO UNIVERSITY
WISCONSIN LUTHERAN COLLEGE

Testimony of
Rebecca Larson, SVP, Wisconsin Association of Independent Colleges and Universities
and
Patty Taylor, Senior Director of Financial Aid and Educational Funding, Lakeland University
To
Assembly Committee on Colleges and Universities
on
AB 86
to
Thursday, June 8, 2023

Good morning Chair Murphy and members of the Committee. I am Rebecca Larson, Senior Vice President with the Wisconsin Association of Independent Colleges and Universities (WAICU). With me today is Patty Taylor, Senior Director of Financial Aid and Educational Funding at Lakeland University. Thank you for the opportunity to provide testimony on Assembly Bill 86.

WAICU is the official organization of Wisconsin's 23 private, nonprofit colleges and universities. WAICU provides services on behalf of the State of Wisconsin and for private, nonprofit colleges and universities and their 52,000 students. Wisconsin's private, nonprofit colleges and universities are committed to college access and opportunity for all students and their financial aid policies are designed to fulfill this commitment.

The private, nonprofit sector of higher education is a market driven sector and we're concerned with the inclusion of our sector in the bill. At private institutions there is a "sticker price" per se and then an "actual price" once all institutional grants, federal and state financial aid, etc. is factored into the financial aid package. If a student does not like the financial aid award package received at one private, nonprofit institution, students can and do look to what would be offered at another institution. This happens quite frequently in our sector of higher education.

Patty Taylor will now share some information with the Committee on how financial aid packages are designed and some guidelines that are followed as best practices for our members and then I will share some additional information regarding changes to the legislation that we have discussed with the bill authors to help best serve Wisconsin students and families as they determine the best college or university choice for them.

Committee members, my name is Patty Taylor. I have 32 years of financial aid experience and have served the last 17 years in the Senior Director role at Lakeland University. I have served as Treasurer for the Wisconsin Association of Student Financial Aid Administrators (WASFAA) and serve on the organization's Advocacy and Legislative Initiatives Committee. I also supported the National Association of Student Financial Aid Administrators (NASFAA) in their advocacy work and have been a member of NASFAA's Leadership and Legislative Conference.

Thank you for this opportunity to share with you the process of determining financial aid awards for students. Private, nonprofit colleges and universities must be sensitive to student access, choice, and opportunity. Affordability is at the top of mind for many students and parents. Colleges and universities prepare the policy for awarding federal, state, and institutional grants, scholarships, loans, and work-study according to all applicable federal regulations along with each type of assistance requirements.

To maintain consistency and best serve our Wisconsin resident students, there are a few items that must be defined to begin determining the eligibility of financial aid and help to accurately define all the costs incurred by a student as part of the pursuit of higher education.

Cost of Attendance (COA) needs to be determined: Values for the COA include Tuition, fees, room, board, books, transportation, personal/miscellaneous, loan fees (if applicable). Other optional items can be childcare, computer technology and costs for accommodation.

1. Students must have a valid Free Application for Federal Student Aid (FAFSA) processed. The results provide the federal methodology formula for the Expected Family Contribution (EFC). In 2024-2025 the federal methodology formula will change along with the language EFC to Student Aid Index (SAI).
2. The calculation of Federal Need can be determined. The formula is $COA - EFC/SAI = \text{Financial Need}$.

Types of aid (loans, grants, scholarships, work-study) have regulations that define if a fund is need-based or non-need based. As a best practice, when determining a student's financial aid offer when financial need is present, need based funding is offered first and then non-need-based funds. The order of awarding funds typically begins with federal grants then state grants, institutional scholarships, institutional grants, federal subsidized loans, then the Federal Work Study.

When a private source of funding is secured by a student, they are required to notify the financial aid office. Federal regulations require the funding to be part of the financial aid offer. These funds need to fit within the federal regulations of the financial aid offer.

Lakeland University has a tuition promise program whereby 100% of tuition is covered through federal state and institutional grant and scholarship sources for students that meet the financial and academic criteria. Some of these students secured private scholarships. Many of the private scholarships do not have criteria that require the dollars to go to a specific cost. The scholarships that have prescribed costs that can be paid by the funding (typically tuition only), we adapt the financial aid offer accordingly. Most times this is shifting Pell to help support Room and/or Board. Pell Grant is a means tested federal program. It is not subject to federal tax implications for grant/scholarship funding that pays room and board, so our practice is to shift Pell grant dollars to room and/or board payment. If a private scholarship is not structured to fit within the financial aid package, Lakeland University would contact that funder in order to request the necessary adjustments on behalf of the student.

With regard to definitions in the bill, the legislation defines need as the difference between cost of attendance and demonstrated need. Most last dollar scholarships define need as the definition of direct costs (tuition and fees only) minus demonstrated need. The legislation also calls all external scholarships, last dollar scholarships. This language would broaden the definition of last dollar scholarships.

Also, if scholarship is tuition specific and the student's tuition has been met through other resources, institutions are unable to apply for the scholarship regardless of what the Wisconsin law requires. Financial aid directors cannot apply a tuition specific scholarship to meals & housing or books etc.

We have suggested some changes to the definitions within the bill to help students and families maximize the ability to use last dollar scholarships to improve the bill.

- Change “cost of attendance” to be “direct costs” and define as “costs directly billed by the institution including tuition, institutional fees and room and board.”
- Expected Family Contribution (EFC) will soon be changing to Student Aid Index. We suggest changing EFC language to the “current federal needs analysis formula.”
- Utilize the direct costs definition above such that it would read “Financial need” means a student's “direct costs” minus the parent and student contribution as determined by the current federal needs analysis formula.
- Change last-dollar scholarship to the following: “Last -dollar scholarship is defined as gift aid as designated by the grantor as a last-dollar scholarship.

Thank you for the opportunity to testify and we're happy to answer questions.



March 21, 2023

Dear Wisconsin Assembly Committee on Colleges and Universities,

Having worked in the scholarship industry since 2011, and specifically on scholarship displacement since 2014, I am pleased to support **Wisconsin AB 86**. After ten years as Vice President at Central Scholarship, a private scholarship provider, I am now a self-employed national consultant and advocate helping clients in the scholarship and college access industries and higher education institutions.

Since serving as lead advocate for the successful “first in the nation” bill in Maryland in 2016-2017, I have advised and supported advocates and bill sponsors in other states, testified in the Washington state legislature at the request of the bill sponsor, and presented on scholarship displacement at conferences and webinars of national organizations such as the National Scholarship Providers Association, the National Association for College Admission Counseling, and the National College Attainment Network. The Maryland bill passed and became state law in 2017, and now there are laws in five states – Maryland, New Jersey, Washington, Pennsylvania, and California, bills in three states -- Illinois, Wisconsin, and Arizona, and a national bill will soon be reintroduced.

Six years in, the Maryland law has not created challenges for public institutions and does not interfere with federal financial aid regulations. The Maryland bill specified that “nothing in this Act may be construed to violate the provisions of federal law or regulations relating to the award of any need-based financial aid or any federal aid.”

There has been overwhelming bi-partisan support of the state bills with few or in some states no votes against, and bill sponsors have been both Democrats and Republicans. This support offers evidence that lawmakers regardless of all political parties are equally concerned about how scholarship displacement hurts students. Having devoted nine years to this issue, I believe that if scholarship providers and higher education institutions work together, it will help students complete their degree with less debt and become taxpayers, and it will help higher education institutions retain and attract students.

I would be pleased to answer any additional questions the committee may have.

Sincerely,

Michele Waxman Johnson, CEO, Bold Thought Partners, LLC

Trappe, Maryland

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