



**Joint Legislative Council Special Committee on  
Review of Higher Education Financial Aid Programs  
August 17, 2010**

**Daniel Clancy, Wisconsin Technical College System President and  
Morna Foy, System Vice President for Policy and Government Relations**

Thank you Rep. Ballweg, Senator Risser and good morning Committee members. We appreciate the opportunity to be with you today to discuss the financial challenges facing Wisconsin's technical college students and the important link between the State's commitment to student financial aid and future economic growth.

Joining me is Morna Foy, System Vice President for Policy and Government Relations. Morna and I will be sharing some information about technical college students and their use of financial aid. We will discuss the unique needs of our students and the impact of shortfalls in state-funded financial aid. We would also like to share with you the System's request for student financial aid for the upcoming 2011-13 biennium, which was recently approved by the HEAB board.

Wisconsin's technical colleges offer more than 300 programs to educate and train individuals for opportunities across a wide spectrum of careers and occupations. We not only offer programs in core areas like agriculture; construction; health sciences; information technology; and public safety, but our colleges also have been on the leading edge of preparing individuals for emerging careers in renewable energy, biotechnology and advanced manufacturing. We provide this range of programming to ensure that Wisconsin industries and citizens have the skills they need to be successful.

We all know how important financial aid can be for individual students to access a college education. But public financial aid programs were not established just to give everyone an opportunity to go to college. They are a public investment intended to drive a public benefit. Increasing the educational levels of our workforce increases the per capita income of our students which in turn grows our public capacity to provide services and strengthens our competitive advantage in the national economy.

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Wisconsin's investment in public financial aid for technical college students has an immediate and demonstrable impact on our state's economy. Eight-five percent of our graduates live and work in this state. Over time, they experience annual wage increases well above the rate of inflation or their peers in other states. While these numbers are down a bit, even in the current economic downturn, 86% of our graduates were employed within six months of graduation.

As the committee proceeds with its work, I can't stress enough the importance of public financial aid investments to Wisconsin's economic future. Where a student goes to college should not be the sole determinant of this investment. But technical college students do have unique characteristics that affect their financial aid need.

Technical college students face many competing demands and have fewer resources to deal with them, which can make it difficult at times to realize their college dreams. When finances become a barrier to attending college, both the individual and Wisconsin business and industry lose skills necessary to recover from the current economic crisis. Without financial aid, many students make choices that can easily and quickly create significant, long-term financial burdens that hurt their future success.

One important characteristic of the WTCS student population is the percentage of our students who seek financial aid and are classified as "independent" under federal definitions. Independent students have higher financial aid needs because they face more demands. They are solely responsible for paying the cost of their education and commonly have dependents of their own.

How does the WTCS student population reflect the categories that distinguish students as independent?

- The average age of WTCS students in 2008-09 was almost 35.
- About 27,000 WTCS students identified themselves as single parents last year.
- About 4,200 students used the WI GI Bill last year. These students were either veterans or still on active duty or the qualifying spouse or dependent of an eligible veteran.

The percentage of WTCS students applying for financial aid who were independent was almost double the percentage of independent students seeking financial aid at Wisconsin private colleges and universities and triple the percentage at the UW System.

Another indicator of the significant financial need of WTCS students is the percentage of financial aid applicants who have so few resources that they are not expected to contribute any resources toward their cost of attending college. This means that they do not have--or have very limited--savings, employment earnings or family members who can help pay. Or they have significant resource demands such as dependent children.

When a student applies for financial aid, their "expected family contribution" or EFC is calculated. In 2008-09, over one-third of WTCS applicants had an expected family contribution to the cost of attending college of zero.

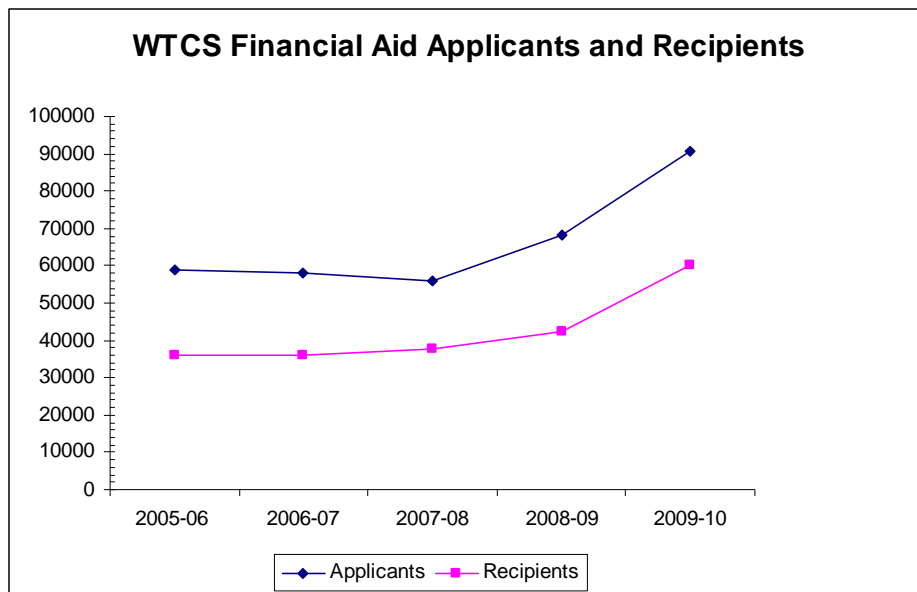
The fact that tech college students have greater demands and fewer resources available to them creates a gap. This gap is often referred to as unmet need. The average unmet need gap for WTCS students was almost \$5,000 in 2008-09. This is almost double the average unmet need gap of 10 years ago (\$2,661).

Large unmet need means students must find some other way to cover these costs, which may include private or alternative loans that are not government sponsored and that commonly carry significantly unfavorable terms when compared to government loans. Another way we hear of students covering the unmet need gap is by using credit cards. Relying on these options can severely damage a student's financial future after college and even while in college.

Now that you have some background on the unique financial aid needs of technical college students and why financial aid is so important to our students and our business and industry partners, I'm going to turn it over to Morna to give you some details on financial aid activity in the WTCS.

As Dr. Goldrick-Rab noted, there has been significant national media attention recently regarding the concern that two year college students in particular may be missing out on an opportunity to access aid simply because they are unaware of its availability and they do not apply. That is clearly not the case in Wisconsin. In fact, the number of WTCS financial aid applicants increased 54.1% in the last five years (2005-06 to 2009-2010), while the number of recipients of state and federal aid awards increased 67.2%. In the last decade, between 30-40% of WTCS program students received some form of aid. In the 2009-10 academic year, that number rose to over 50%.

The increase in aid applications has been particularly sharp over the last two years, as you see in the chart. Two years ago (for the 2008-09 academic year), there was a 22% increase in applications and last year we saw an increase of over 30% in applications.



The increase in aid applications is a function of record enrollment levels and greater financial need of the students who are enrolling. According to technical college financial aid professionals:

- new enrolling students are seeking financial aid for the first time
- but existing students who have not previously applied also are looking for aid as they experience changes in their employment situation or family income.

Currently, we are showing an application increase of over 18% from this time last year and we expect that number to grow as the academic year progresses.

Almost all of the state-funded financial aid available to technical college students is distributed through three programs: the WTCS Wisconsin Higher Education Grant (WHEG), the Talent Incentive Grant, and the Minority Undergraduate Retention Grant. As you can see on the slide; the WHEG program accounts for the vast majority of state-funded financial aid in the WTCS. A little less than \$1 million of state financial aid for WTCS students comes through six much smaller need-based programs.

You received additional details about how each of these programs operates in the Wisconsin Legislative Council Staff Memorandum No. 1 provided to the Committee and discussed by Legislative Fiscal Bureau staff this morning. I would just note that the funding shown for the Minority Undergraduate Retention Grant is only that portion distributed to WTCS students, or about half of the total appropriation, which is also awarded to students in Wisconsin Association of Independent Colleges and University institutions and Wisconsin's tribal colleges.

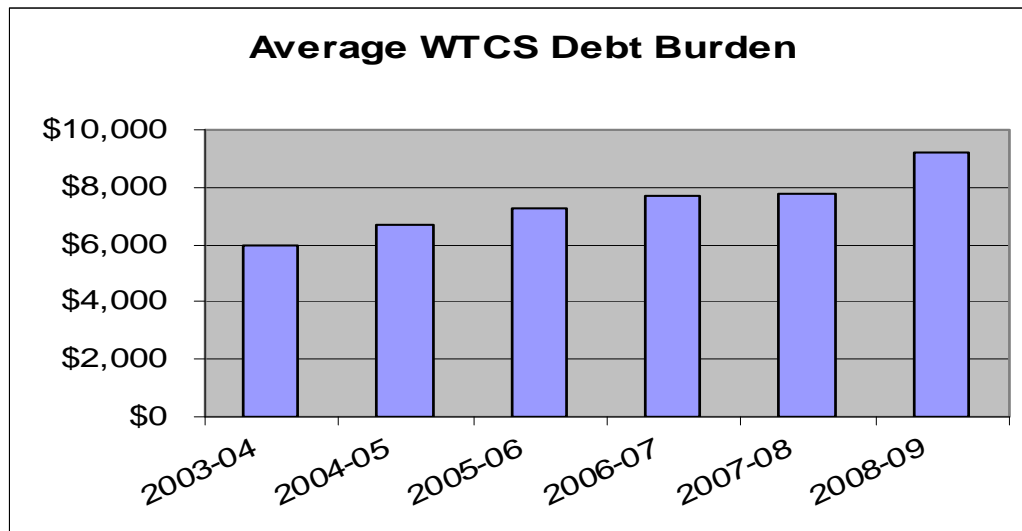
We have all read about the recent expansion of the federal Pell grant program and WTCS students have benefited greatly from these new federal investments. We have seen sharp increases in the number of Pell grant recipients and the amount of the awards received. From 2005-06 to 2009-10, the number of Pell grant recipients in the WTCS increased 73.1% and the amount of awards increased 152.1%.

In most cases, WHEG-eligible students are also eligible for a Pell grant. However, despite these significant new investments in Pell funding and modest increases in the WTCS-WHEG appropriation in each of the last two years, we see an increasing number of WTCS students who are eligible for a WHEG award but who do not receive an award because of insufficient funding.

For example, in 2009-10, 25,000 students who qualified for a WHEG grant did not receive an award because of funding shortages. This is almost equal to the 26,718 WTCS students who did receive a WHEG award last year. WTCS WHEG funds for the current 2010-11 academic year were fully allocated in May—three months before the start of the new fall semester and one month earlier than WTCS WHEG funds were depleted last year.

Considering that financial aid applications are already up about 20% for this year and the WTCS WHEG funds are already depleted, it seems very likely that significantly more than 25,000 WTCS-WHEG eligible students will be denied this grant because of funding shortages. As Dan noted earlier, a lack of grant funds puts greater pressure on students to rely on loans to fund their college education.

Borrowing money to go to college is nothing new, and as Dr. Goldrick-Rab noted, loans can be a valuable tool. Technical college students have historically relied more heavily on employment to finance their education. Today, many technical college students must work **AND** borrow. In the last five years, the number of Stafford loan recipients increased 57.2% while the amount of Stafford loans increased 145.9% from \$49.5 million to \$121.7 million last year. As shown in the table, according to data from Great Lakes Higher Education Corporation, the average government-sponsored debt burden for WTCS students increased more than 50% from 2003-04 through 2008-09, from \$5,950 to \$9,177.



Although we know there has also been a sharp increase in alternative or private loans, exact figures are not available because these loans may not be processed through a college financial aid office. As the unmet need gap grows, and students become more desperate to find resources to attend college, they are more susceptible to predatory lending practices or short term solutions (like credit cards) that can lead to sometimes overwhelming, long-term financial burdens for individuals. Moreover, the economic benefit to the state of new college graduates is decreased if those graduates' debt obligations reduce their ability to reinvest in their local communities.

Thank you, Morna. Based on the WTCS WHEG shortfall, the increase reliance on loans, and the increased debt burden of WTCS students, I wanted to share with you the budget

request approved by the WTCS State Board in July. The State Board asked that the Higher Education Aids Board (HEAB) include in their budget request:

- \$23.4 million over the biennium for WTCS WHEG;
- A statutory change to establish a link between WTCS WHEG appropriation and annual tuition/program fee increases
- 10% increase in each year of the biennium for Minority Undergraduate Retention Grants that benefit WTC, tribal colleges and Wisconsin independent colleges and universities.

We hope this committee can support this request, which will support thousands of students across this state. As you know, this request will be presented to the Governor and Legislature by the HEAB which administers financial aid programs on behalf of all Wisconsin residents.

I know that you are going to hear more about HEAB's programs and challenges from Connie Hutchinson later today but I would just like to note that HEAB leadership has been instrumental in the implementation of the WI Covenant and the Fund for Wisconsin Scholars and the WI GI Bill. I want to thank Connie for all of their efforts on behalf of our students.

I would like to close my formal comments with the observation that financial aid is a critical economic development tool and any work this committee do to reinforce that message for the Legislature as they set new funding priorities for the next biennium would be much appreciated.