

DISCUSSION/ACTION
July 29, 2016

HIGHER EDUCATIONAL AIDS BOARD

BOARD REPORT #17-05

2017-2019 BIENNIAL BUDGET ISSUES

TECHNICAL COLLEGE SYSTEM



Morna K. Foy, President

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July 19, 2016

Steve Midthun, Chair
John Reinemann, Executive Secretary
Higher Educational Aids Board
PO Box 7885
Madison, WI 53707-7885

Dear Board Chair Midthun and Executive Secretary Reinemann:

On behalf of the Wisconsin Technical College System (WTCS) Board and students across the state, we request that the Higher Educational Aids Board (HEAB) seek additional grant funding for the WTCS Wisconsin Grant (WG). We urge HEAB to include this request as part of its 2017-19 biennial budget proposal submitted to the Wisconsin Department of Administration.

State funding for the WTCS WG grants has not met demand in several years. About 23,000 students who applied for aid to attend a WTCS college did not receive the WG award for which they were eligible during the 2015-16 academic year. This is even after the Governor and the Legislature provided an additional \$500,000 for WTCS WG this spring.

We know that WTCS graduates are quickly employed (93% within six months of graduation) and remain in Wisconsin (81%) to live and work. This means investments in the WTCS WG are quickly recouped as students earn wages, spend their earnings and pay taxes in Wisconsin. Wisconsin employers also benefit from the skilled workers who earn WTCS credentials.

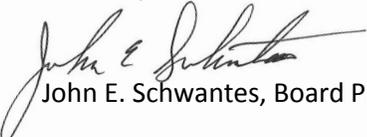
The WTCS Board realizes that HEAB, like all state agencies, will likely seek to exercise restraint in its 2017-19 biennial budget request. At the same time, we cannot ignore the financial needs of our students and the important role of WTCS graduates in improving the state's long-term economic health.

Therefore, to address the immediate need for additional student financial aid resources, the WTCS Board respectfully asks that the HEAB 2017-19 budget request:

- Increase the WTCS WG appropriation by \$23 million to eliminate the annual waiting list of potential WTCS students determined eligible for WG but who do not receive one due to a lack of state funding.

The attached paper provides further background information. Thank you for considering our request and for your commitment to helping WTCS students. We hope this is helpful to your deliberations.

Sincerely,


John E. Schwantes, Board President


Morna K. Foy, President

Attachment

cc: Bryan Kirschbaum, DOA Budget Analyst
Emily Pope, LFB Fiscal Analyst



HEAB: WTCS Wisconsin Grants

2017-19 Biennial Budget Initiative

ISSUE: WISCONSIN GRANT (WG) - TECHNICAL COLLEGES

State investments in the WTCS Wisconsin Grants help students earn credentials that benefit Wisconsin employers who need the highly skilled workers the WTCS produces. However, because a significant and persistent gap exists between state funding for the WTCS Wisconsin Grant (WG), many who each year apply for and are eligible for a WTCS WG do not receive one.

BACKGROUND

The WG is the primary source of state-funded needs-based student financial aid, providing \$103.3 million annually in grants to qualifying students attending Wisconsin higher education institutions. Minnesota, by comparison, provides \$172.5 million annually in state financial aid and Illinois invests \$372.2 million.

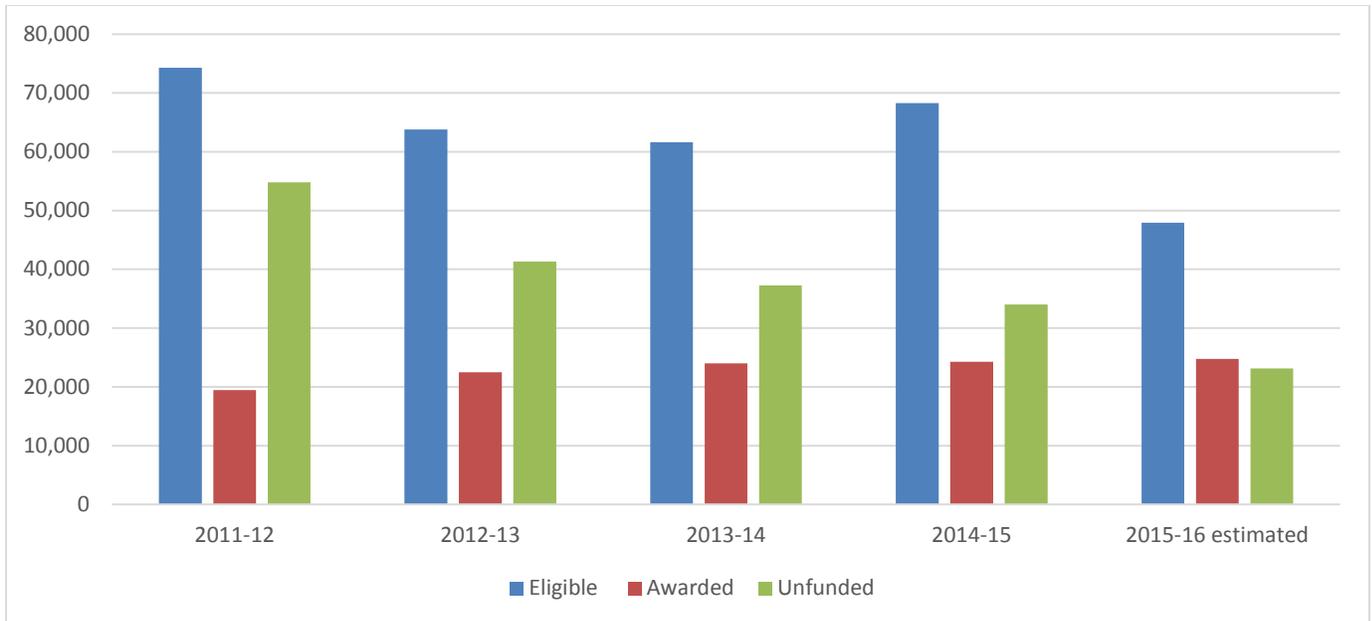
Wisconsin Grants are funded through separate appropriations for the WTCS, University of Wisconsin System (UWS) and non-profit private colleges and universities that are members of the Wisconsin Association of Independent Colleges & Universities (WAICU). These grants are disbursed by the Higher Educational Aids Board and represent 90.7% of Wisconsin’s state-supported need-based financial aid.

The WTCS share of the State’s investment in WG has consistently been smaller than either the UWS or WAICU shares as has the average grant amount awarded to WTCS students. The chart below shows WG data for 2014-15, the most current year for which complete information is available. The average grant award depends on the actual financial need of students each year and generally ranges from about \$800 to \$1,000 for WTCS students. These grants are awarded as part of a package of state and federal grants and loans, with federal grants being the first resource provided to students.

2014-15 Wisconsin Grant Appropriations and Awards					
	State Appropriation	Percent Share of Total State Funds	Grants Awarded	Percent Share of Total Awards	Average Grant Award
WTCS	\$ 18.7 million	18.1%	24,275	36.0%	\$ 802
UWS	\$ 58.3 million	56.4%	32,866	48.7%	\$1,773
WAICU	\$ 26.3 million	25.5%	10,306	15.3%	\$2,556
State Total	\$103.3 million		67,467		

As recently as 2011-12, almost 55,000 students seeking to attend the WTCS were eligible for - but did not receive - one of these grants due to a lack of state funding. In recognition of the need for additional state investment, the Legislature provided a one-time \$2 million increase in WTCS WG for 2013-14. Based on an average WTCS WG award of \$1,003 for 2013-14, the additional \$2 million meant about 2,000 additional WTCS students received a WG for which they qualified.

WTCS WG Eligible, Awarded and Unfunded



The estimated 23,148 students deemed eligible but not funded for the current 2015-16 academic year is after \$500,000 in additional state funds were approved by the Legislature and Governor in March 2016. These additional funds are important for helping WTCS students and resulted in about 500 additional grants for a total of almost 25,000 WTCS students receiving a WG grant this year. Without additional state investment, however, a significant gap will continue to exist between available state funding and the award of WG grants among those seeking to attend the WTCS.

The state investment in WG funding for WTCS students has been inadequate to meet student needs for many years, as shown above. Increasing the state investment in WTCS WG would help address the significant numbers of potential WTCS students who annually qualify for a WTCS WG but who do not receive one due to the lack of funding. The State quickly recoups this investment as 93% of WTCS graduates were employed within six months of graduation and 81% remain in Wisconsin according to the most recent annual survey of WTCS graduates.

Providing additional grants to WTCS students would help address Wisconsin's labor needs by encouraging more students to attend and more quickly earn a credential. Students who are eligible for but who do not receive WG grants may take fewer credits to spread out their educational costs thus slowing completion of their credential.

Investing in WTCS WG may help reduce the need for students to take out loans to fund their education, reducing student indebtedness and possible loan defaults. Considering that graduates who earned a WTCS credential in 2015 reported a median salary of \$36,252 within six months of graduation, these strong salaries support Wisconsin's economy as WTCS graduates earn wages, spend their earnings and pay Wisconsin taxes.

Wisconsin employers benefit from the skills that WTCS graduates bring, which helps foster the State's economic growth and 93% of employers participating in an employer follow-up survey indicated they would hire a WTCS graduate again. In addition, 84% of employers said that their local technical college was important or very important to the success of their business.

The strong employment outcomes and employer satisfaction with WTCS graduates show the return on investment that results from the WTCS WG. Potential students, though, may be discouraged from attending the WTCS because of the shortage of WTCS WG. Students can begin applying for federal and state financial aid in January for the next academic year. As shown below, annually since 2009-10, all WTCS WG grants for the next academic year were fully allocated even by the end of June.

Date WTCS WG Funds Fully Allocated

<u>Academic Award Year</u>	<u>Date Fully Allocated</u>
2005-06	December 5, 2005
2006-07	November 28, 2006
2007-08	October 23, 2007
2008-09	August 21, 2008
2009-10	June 4, 2009
2010-11	May 7, 2010
2011-12	April 4, 2011
2012-13	April 7, 2012
2013-14	May 16, 2013
2014-15	April 23, 2014
2015-16	June 23, 2015

Admission staff from WTCS colleges generally identify July and August as the busiest WTCS enrollment period. These late enrolling students may be discouraged from attending when they discover they are unlikely to receive state grants. Beginning with 2017-18 academic year awards, financial aid applications can be submitted starting in October 2016 so the WTCS WG will likely be fully allocated even earlier, making it even more challenging for those enrolling closer to the beginning of a new academic year to receive a grant.

In addition, recent high school graduates seeking to attend a technical college under new local college programs that use private resources to provide tuition assistance are

first required to apply for financial aid. Early indications are these type of programs, such as the Milwaukee Area Technical College Promise, will increase technical college enrollments and increase demand for WG, which is applied before students qualify for other local private assistance on tuition costs. This increased WG demand will likely drive up the number of eligible but unfunded students.

The importance of WTCS WG becomes more apparent when considering how those applying for financial aid to attend the WTCS differ from other higher education sectors. For example, of 91,196 applicants seeking to attend the WTCS in 2014-15, 67.6% were independent students expected to pay for their own education and 54.7% had so few resources from earnings or family that they had a zero expected family contribution (EFC) under federal definitions. By contrast, among 101,344 financial aid applicants seeking to attend the University of Wisconsin System, only 23.6% were independent students and only 22.7% had a zero EFC. Among 29,753 applicants seeking to attend a non-profit independent college or university, 36.1% were independent students and 27.4% had a zero EFC. Simply put, WTCS students have more need for financial aid because they have fewer resources.

REQUEST:

Increase the WTCS WG appropriation by \$23 million to eliminate the annual waiting list of potential WTCS students determined eligible for a WG but who do not receive one due to a lack of state funding.