Financial Aid and Tuition

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Associate Vice President
Budget and Planning

Board of Regents
December 8, 2005
## Family Incomes of UW Resident New Freshmen

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Low (&lt;=$30,000)</td>
<td>15.8%</td>
<td>13.7%</td>
<td>13.7%</td>
<td>12.6%</td>
<td>11.1%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Low-Medium ($30,000-$47,000)</td>
<td>22.8%</td>
<td>22.8%</td>
<td>21.8%</td>
<td>21.5%</td>
<td>18.3%</td>
<td>19.6%</td>
</tr>
<tr>
<td>Medium ($47,000-$66,000)</td>
<td>23.1%</td>
<td>23.9%</td>
<td>26.6%</td>
<td>24.9%</td>
<td>24.5%</td>
<td>24.5%</td>
</tr>
<tr>
<td>Medium-High ($66,000-$92,000)</td>
<td>20.2%</td>
<td>20.3%</td>
<td>22.4%</td>
<td>23.3%</td>
<td>25.4%</td>
<td>24.5%</td>
</tr>
<tr>
<td>High (&gt;$92,000)</td>
<td>18.1%</td>
<td>19.3%</td>
<td>15.4%</td>
<td>17.6%</td>
<td>20.7%</td>
<td>19.2%</td>
</tr>
</tbody>
</table>

Sources: ACT, Inc. and U.S. Census Bureau
Financial Aid and Tuition

Lowest Income Quintile


- 15.8%
- 13.7%
- 12.6%
- 11.1%
- 12.3%
• In each ACT score range, low income students have lower access.
Financial Aid and Tuition

Gap Between Average Tuition/Fees and WHEG Award

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg. WHEG</th>
<th>Avg. Res. Undergrad Tuition/Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>$843</td>
<td>$2,848</td>
</tr>
<tr>
<td>1998-99</td>
<td>$932</td>
<td>$3,032</td>
</tr>
<tr>
<td>1999-2000</td>
<td>$1,021</td>
<td>$3,230</td>
</tr>
<tr>
<td>2000-01</td>
<td>$1,131</td>
<td>$3,275</td>
</tr>
<tr>
<td>2001-02</td>
<td>$1,084</td>
<td>$3,513</td>
</tr>
<tr>
<td>2002-03</td>
<td>$1,244</td>
<td>$4,431</td>
</tr>
<tr>
<td>2003-04</td>
<td>$1,284</td>
<td>$5,037</td>
</tr>
<tr>
<td>2004-05</td>
<td>$1,284</td>
<td></td>
</tr>
</tbody>
</table>
Gap between Average Cost of Attendance and Need-Based Grants

**Average Res. Undergrad Cost of Attendance**
- 1997-98: $8,550
- 1998-99: $8,954
- 1999-00: $9,427
- 2000-01: $9,666
- 2001-02: $10,156
- 2002-03: $10,791
- 2003-04: $11,666
- 2004-05: $12,616

**Average Need-Based Grant Aid**
- 1997-98: $2,494
- 1998-99: $2,708
- 1999-00: $2,852
- 2000-01: $3,424
- 2001-02: $3,566
- 2002-03: $3,785
- 2003-04: $4,003
- 2004-05: $4,117

Financial Aid and Tuition
Federal and State Aid Provided to UW Resident Undergraduates

Between 2001-02 and 2004-05:

– Average Federal Pell Grant increased $217
– Average State WHEG Grant increased $266
– Average student borrowing increased $963
– Average UW Tuition/Fees increased $1,524
– Average Cost of Attendance increased $2,460
Policy Goals

• Access
  – Ensure all academically qualified Wisconsin residents equal access to attend a UW institution.

• Retention
  – Reduce the financial barriers for low-income UW students so they can remain in school and complete their degrees in a timely fashion.

• Brain Gain
  – Use financial aid incentives to encourage UW graduates to work in Wisconsin after graduation.

Source: UW Board of Regents Study Charting a New Course
BOR Goals for 2005-06

- Improve Access to the UW System
- Increase Baccalaureate Degrees
- Improve the Quality of the Student Experience
- Strengthen and Build Relationships with our Stakeholders

Source: Minutes of the BOR Meeting, September 9, 2005
Guiding Principles

I. Socio-economic diversity enhances the learning environment for all students and bolsters state economic growth.

II. Student recruitment, retention, and degree completion are most successful when financial barriers are eliminated.

III. It is essential to provide a clear message that college is possible and within reach, regardless of financial resources.

IV. Progress towards achieving financial aid goals should be monitored.
# Financial Aid Models

<table>
<thead>
<tr>
<th>Need Guarantee</th>
<th>Pledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Univ/States:</td>
<td>Indiana, Oklahoma</td>
</tr>
<tr>
<td>North Carolina, Virginia, Illinois, Minnesota</td>
<td></td>
</tr>
<tr>
<td>Covers:</td>
<td>Tuition and fees</td>
</tr>
<tr>
<td>Cost of attendance</td>
<td></td>
</tr>
<tr>
<td>Program:</td>
<td>High School academic requirement</td>
</tr>
<tr>
<td>Eliminates borrowing</td>
<td></td>
</tr>
<tr>
<td>Work requirement</td>
<td></td>
</tr>
<tr>
<td>“Last grant” (after all federal and state grants and scholarships)</td>
<td></td>
</tr>
<tr>
<td>“Last state grant”</td>
<td></td>
</tr>
</tbody>
</table>
## Financial Aid Models

<table>
<thead>
<tr>
<th>Large State Grant</th>
<th>Hold Harmless</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>States:</strong> • Minnesota, New York, Illinois, New Jersey, Pennsylvania</td>
<td>Virginia Tech</td>
</tr>
<tr>
<td><strong>Covers:</strong> • Tuition and fees</td>
<td>• $ increases to tuition</td>
</tr>
<tr>
<td><strong>Program:</strong> • Expands existing state need-based grant program</td>
<td>and fees</td>
</tr>
</tbody>
</table>

*Virginia Tech*
Financial Aid Models

Loan Repayment/Loan Forgiveness

Covers: • Repays $2,000 of loan per year for 4 years

Program: • Repayment of loan if graduate stays in state after graduation
Goals

• Who will be covered?
  – Lowest quintile? 2 lowest quintiles?

• What will be covered?
  – All costs of attendance? Just tuition and fees?
  – Just tuition increases? Repayment of Loans?

• Should there be a student commitment?
  – High School academic requirement?
  – Work requirement while in college?
  – Stay in state after graduation?
TUITION OPTIONS
## Primary Grant Programs in Midwest States
### Average Grant Comparison

<table>
<thead>
<tr>
<th>Midwest States</th>
<th>Average Grant Award**</th>
<th># of Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>OH</td>
<td>$3,279</td>
<td>3,711</td>
</tr>
<tr>
<td>IN</td>
<td>$2,838</td>
<td>45,300</td>
</tr>
<tr>
<td>IA</td>
<td>$2,829</td>
<td>15,976</td>
</tr>
<tr>
<td>IL</td>
<td>$2,355</td>
<td>140,898</td>
</tr>
<tr>
<td>MN</td>
<td>$1,656</td>
<td>69,620</td>
</tr>
<tr>
<td>MI</td>
<td>$1,343</td>
<td>29,485</td>
</tr>
<tr>
<td>WI</td>
<td>$1,244</td>
<td>22,808</td>
</tr>
</tbody>
</table>

** Most states include funding provided to public and private institutions except Wisconsin, which includes only UW System, and Iowa, which includes only private institutions.
State Fiscal Environment

- Wisconsin continues to have a structural deficit

- Other competing UW needs:
  - Utilities
  - Health Insurance
  - Debt Service
  - Compensation
  - Other Board Initiatives
# UW System Resident Undergraduate Tuition and Fees versus Peers

<table>
<thead>
<tr>
<th>Institution</th>
<th>Tuition &amp; Fees</th>
<th>Rank</th>
<th>Peer Mid-Point Tuition and Fees</th>
<th>Tuition and Fees Below Mid-Point</th>
</tr>
</thead>
<tbody>
<tr>
<td>UW-Madison</td>
<td>$6,280</td>
<td>8 of 9</td>
<td>$8,172</td>
<td>-$1,892</td>
</tr>
<tr>
<td>UW-Milwaukee</td>
<td>$6,220</td>
<td>11 of 15</td>
<td>$7,355</td>
<td>-$1,135</td>
</tr>
<tr>
<td>UW Comprehensives</td>
<td>$5,059</td>
<td>32 of 35</td>
<td>$6,129</td>
<td>-$1,070</td>
</tr>
</tbody>
</table>
Tuition Funded Financial Aid

• This proposal would increase tuition rates for all students and would increase financial aid to hold down the net costs for lower income students.

• Issues:
  • Program administration
  • Statutory link
  • Sticker shock
Tuition Funded Financial Aid

• This approach would require legislative approval:
  – Biennial Budget Request
  – Statutory Language Change
Tuition Rules of Thumb

• Every one percent increase in resident undergraduate tuition generates approximately $5.5 million dollars in tuition revenue annually.

• Every one percent increase is between $40 and $60 dollars for a UW student.
Tuition Based on Ability to Pay

• This proposal would freeze tuition rates for lower income students and assess higher tuition to students from families above a certain income level.

• The Board of Regents has the authority to set different tuition rates by income level, so this proposal could be implemented as soon as the 2006-07 academic year.
Tuition Based on Ability to Pay

• Issues:
  – Two different tuition rates
  – Impact on enrollment of middle and higher income students
  – Program administration
  – Communication plan
Nonresident Undergraduate Tuition Rollback

• Nonresident undergraduate tuition would be set at three times the resident undergraduate rate at all institutions except UW-Madison.

• Setting nonresident rates at three times resident tuition would cover the full cost of educating a nonresident student, plus provide an amount equal to the current state share of the cost of educating a resident student.
# UW System Non-Resident Undergraduate Tuition and Fees versus Peers

<table>
<thead>
<tr>
<th>Institution</th>
<th>Tuition &amp; Fees</th>
<th>Rank</th>
<th>Peer Mid-Point Tuition and Fees</th>
<th>Tuition and Fees Above Mid-Point</th>
</tr>
</thead>
<tbody>
<tr>
<td>UW-Madison</td>
<td>$20,280</td>
<td>3 of 9</td>
<td>$19,892</td>
<td>$388</td>
</tr>
<tr>
<td>UW-Milwaukee</td>
<td>$18,972</td>
<td>3 of 15</td>
<td>$15,834</td>
<td>$3,138</td>
</tr>
<tr>
<td>UW Comprehensives</td>
<td>$15,155</td>
<td>9 of 35</td>
<td>$12,563</td>
<td>$2,592</td>
</tr>
</tbody>
</table>

- The UW has lost more than 900 non-resident undergraduate students since 2001-02.
Goals

• Who will be covered?
  – Lowest quintile? 2 lowest quintiles?

• What will be covered?
  – All costs of attendance? Just tuition and fees?
  – Just tuition increases? Repayment of Loans?

• Should there be a student commitment?
  – High School academic requirement?
  – Work requirement while in college?
  – Stay in state after graduation?