

D R A F T

**Charting a New Course for the UW System
Our Partnership with the State Working Group**

March 4, 2004, 10:00 a.m. – 12:30 p.m.

Minutes

Members Present: Patricia Brady, Joseph Heim, Margaret Lewis, Ann Lydecker, Don Mash, Bill Messner, Don Nichols, Peggy Rosenzweig, Jesus Salas, Melanie Schroeder

Members Absent: David Beckwith, Mark Bugher, Clint Dederich, Matt Sirinek, David Walsh

Committee Staff Present: David Miller, Kate Kail

Also in attendance: Guy Gottschalk, Sharon Wilhelm, Kristen Hendrickson

Brady convened the working group. She reminded the group that it had recommended principles and discussed recommendations related to financial aid in previous sessions. The group continued its discussion on financial aid proposals specific to the 2005-07 budget. Wilhelm reviewed the working group's three financial aid goals -- access, retention and "brain gain" -- and short term strategies to achieve them. Those strategies include funding state financial aid with GPR, not auxiliary dollars, to maintain current grant levels; meeting statutory requirement to increase financial aid at the same percentage as tuition; providing a dollar match for any tuition increases that will "hold harmless" the neediest students; and establishing loan forgiveness programs to encourage graduates to stay and work in the state.

Rosenzweig suggested that loan forgiveness programs could be seen as a long-term proposal, as the other ideas seem more critical. Wilhelm said loan forgiveness programs were not among the 05-07 budget proposals, but could help increase access. Wilhelm also reminded the group that a long-term option could be to cover all or part of the costs of attendance for low-income students, an option modified from a North Carolina program.

Miller offered an example to show why a dollar match program would help students. He illustrated how current practice to increase financial aid along with tuition does not hold students harmless. Wilhelm said the proposals are ordered to reflect increasing levels of support. Hendrickson noted that if approved, the 05-07 budget request will not reduce the amount of grants already awarded. Wilhelm offered a preview of a \$14 million "hold harmless" budget request, and a \$12.6 million request that would replace auxiliary funds used for financial aid with state GPR dollars and allow the state to meet statutory requirements. It was noted that the Higher Educational Aids Board would also need to request about \$45 million to fulfill its share of financial aid commitments for the next two years.

Rosenzweig suggested that the university make very clear the intent of the proposal to replace the use of auxiliary funds. Brady suggested the group could encourage the full board to pass a resolution endorsing the idea. Heim asked if there were a statutory way to protect trust funds, like those that contained the auxiliary funds, from use for other purposes. Brady and Miller confirmed that such statutes could be put in place, but said the Legislature can always suspend such language. Lewis said that a "firewall" could send the message that students pay these funds for specific purposes, and that to reallocate those funds breaks a contract with students. Brady said the group might be considering very different financial aid proposals if the auxiliary dollars had not been used in the last budget. Miller noted that campus business officers have discussed establishing separate trust funds to protect such dollars from outside use.

Salas asked if the \$22 million in 05-07 requests was sufficient for commitments to students, and wondered how these dollars were allocated to campuses. It was noted that the requests were a modest attempt to reshape state financial aid, a point Salas suggested could be included as part of the requests. Wilhelm also noted that more flexibility is allowed in distributing dollars allocated to UW budgets, and less flexibility is available for funds allocated to HEAB. Hendrickson noted that the budget requests ask for “hold harmless” dollars to be granted for UW budgets, which would require a new appropriation.

Salas asked if the group could recommend an increase in work-study funds. Wilhelm noted that work-study funds are federal dollars, and that university federal relations staff have been following the idea. Lewis asked if the group should propose that the state provide matching dollars. Salas asked if there were other ways the group could encourage students to take work-study positions instead of service industry jobs. Wilhelm noted that the North Carolina covenant includes mandatory work requirements. Lydecker reminded the group that many students already work many hours outside of class, and cautioned against too many additional requirements.

Rosenzweig moved that the group indicate its desire and willingness to work with HEAB on 05-07 budget requests. Miller seconded. The motion was unanimously approved. The group also approved minutes from its February meeting.

Wilhelm noted that policy goals were overall and long-term, and only retention is directly addressed in 05-07 budget requests.

Brady noted that there were attempts to meet with members of the Legislature, following recommendations of the group at its last meeting, but ongoing Legislative sessions prevented the meeting from taking place. Lewis noted that Sen. Darling was still in favor of a formal meeting in mid to late March. Lewis also noted that a preview of the financial aid proposals was offered to the Joint Finance Committee and staff for Rep. Kreibich, Sen. Harsdorf and Speaker Gard.

Nichols asked whether any proposals related to “brain gain” included cost estimates. Lewis said one idea was to provide a \$2,000 tax credit, which would cost approximately \$16 million a year, but that more information would be needed for a formal proposal. Nichols noted that \$16 million could also be used elsewhere in the university’s budget, and that the loss of graduates to out-of-state jobs is a matter of market supply and demand in the private sector. Rosenzweig said presenting “brain gain” proposals along with funding requests could be confusing. Nichols noted that loan forgiveness programs might tilt a graduate’s decision to take a job in Wisconsin, but that the concept does not necessarily encourage economic development. Schroeder noted that even if loan forgiveness was available, students may still take out-of-state jobs, as sometimes compensation elsewhere could be equal to the amount of forgiveness in Wisconsin.

Wilhelm noted that the financial aid goals were intended to help students before, during and after college, and that there were many ways to reach those goals. Lydecker noted that if loan forgiveness programs were in place, graduate behavior would still be an unknown. Gottschalk said Nichols’ points were well taken, but that loan forgiveness could be used as an access tool.

Brady asked if committee members were still interested in establishing a formal means to regularly communicate with the Legislature. Heim said he favored a formal committee of regents, legislators and administrators who could meet on a regular basis. Lewis said she could create a list of ideas for the group to discuss. Messner suggested that the group could focus on the goal of more effective communications with state government.

Salas asked if group members had more details about a point in draft budget requests that predicted tuition increases for the next year. Hendrickson noted that the budget was not set, but that as a general rule, tuition does increase each year. Mash noted that a change in current tuition policies could help the university generate additional revenue and still provide assistance to the neediest students.

The group also received a draft of recommendations from the working group on Achieving Operating Efficiencies. It was noted that the group would likely be involved in working with the Legislature to enact some of the recommendations. Miller noted that conversation and trust with legislative leaders will be important, as many of the recommendations relate to delegating authority.

The committee adjourned at 12 p.m.