

MEETING SUMMARY

of the

UW SYSTEM TUITION-SETTING POLICY TASK FORCE

Held at 1820 Van Hise Hall,
1220 Linden Drive
Madison, Wisconsin

January 15, 2016,
1:00 p.m.

Introductions and Discussion of Prior Meetings

Regent Higgins welcomed task force members and started by addressing the responses to the evaluation survey from the November 5 meeting. In response to several comments regarding the importance of engaging and communicating with legislators and other stakeholders regarding the work of the task force, agendas and meeting materials were provided to key legislative offices and posted on the Board of Regents' website. Regent Higgins said he periodically talks with individual legislators regarding the work of the task force, as does UW System's external relations staff. Regent Higgins also introduced Brooke Froelich from Senator Sheila Harsdorf's office, and David Boardman of Representative David Murphy's office.

Regent Higgins noted that task force members provided positive feedback on Dennis Jones' presentation, and that UW System staff will update the state comparisons used by Mr. Jones to include more current information. He also noted that the survey responses included suggestions for future meeting topics, some of which would be addressed later in the meeting or at a subsequent meeting.

Key Points from November 5 Meeting

Regent Higgins summarized the key points from Dennis Jones presentation on November 5:

1. Tuition is one element of higher education finance policy; state appropriations, financial aid and institutional productivity also need to be considered.
2. Institutions and students view tuition very differently.
3. Wisconsin public institutions are fairly lean in comparison to public institutions in other states.
4. Considerations regarding tuition should include ability to pay, costs relative to family income, total cost of attendance, limiting debt, and return on investment.

5. Responsibility for covering the cost of attendance is shared by the student, the student's parents, the federal and state government, and the institution; often times, sufficient consideration is not given to eventual student earnings and federal tuition tax credits.
6. There is no "silver bullet" for tuition-setting; most public institutions continue to establish tuition on a year-to-year basis, based on state appropriations and political realities.

Key Points from October 15 Meeting

Regent Higgins proceed to summarize the key points from the task force's first meeting on October 15:

1. Interim Vice President David Ward shared demographic trends affecting how the UW System serves traditional students and non-traditional student populations. These trends were discussed in relation to other Wisconsin higher education sectors and national trends. He noted that UW System has a 50 percent market share of all students enrolled in Wisconsin higher education.
2. Since 1995, undergraduate enrollments have increased steadily, with nonresident and reciprocity enrollment growth outpacing resident enrollment growth.
3. Approximately one-third of Wisconsin high school graduates enroll immediately in a UW System institution, 11 percent enroll in the Wisconsin Technical College System, and 18 percent enroll in Wisconsin private or out-of-state institutions. Participation rates among African Americans, American Indians, and Hispanic/Latino(a) students are much lower, and these are the students that the UW System must work harder to attract.
4. The number of high school graduates is projected to increase slightly over the next ten years due to large increases in the number of students of color particularly Hispanic/Latino(a) students who have lower family incomes and ability to pay.
5. With respect to adult students, UW System serves approximately 22 percent of the nontraditional-age student market, compared to 60 percent served by WTCS. Younger Wisconsin adults (ages 25-34) are projected to increase over the next ten years.
6. Wisconsin lags the national average and neighboring states in terms of the proportion of adults with a bachelor's degree or higher and matches the proportion with an associate degree or higher.
7. Adam Pfof and Freda Harris from UW System's Office of Budget and Planning Summary shared an overview of the system's tuition setting process, the differences between pooled and unpooled tuition, the characteristics of each, and a promise to address policy components of pooled and unpooled tuition at future task force meetings.

Presentation and Discussion of Task Force Charter

Regent Higgins explained that based on the feedback provided after the first meeting, he asked staff to develop a charter describing the charge of the task force, the expected outcomes, and a timetable for completing work. In response to his request for feedback, Steve Wildeck suggested adding a statement to the scope section of the document describing the relationship between tuition and General Purpose Revenue (GPR) funding. Several other task force members agreed that the charter should recognize the relationship between tuition and GPR in funding ongoing operations. Steve Wildeck offered to share some suggested language for inclusion in the task force charter.

Affordability and Financial Aid Packaging in the UW System

Bob Jokisch, from UW System's Office of Academic and Student Affairs, provided a presentation on tuition, cost-of-attendance, and affordability. He began by noting that while tuition and fees within the UW System have increased modestly since 2003-04, increases during the last four years have been fairly limited. In addition to tuition and fees, several other items are included in determining the total cost of attendance (COA) including room and board, transportation, books and supplies, as well as miscellaneous living expenses. Increases in the total COA have also been fairly limited during the last four years.

Jokisch shared presentation slides illustrating how costs for UW-Madison, UW-Milwaukee, and the UW comprehensive institutions are lower in comparison to peer institutions. Jokisch explained that while grants and scholarships reduce the net COA, the net cost of attendance at UW-Madison and UW-Milwaukee is actually higher than in comparison to their peers primarily due to lower financial aid packages. Sue Buth, Director of UW System's Office of Policy Analysis and Research, explained that the peers used for this presentation are the same as those used historically for tuition comparisons and agreed upon for the tuition related items in the accountability dashboard. After task force members commented on the use of peers, Regent Higgins suggested the task force revisit the issue of peers, and how peers should be defined, at a future meeting.

Jokisch also provided information on how UW students pay for their education. In 2014-15, 74% of financial aid for resident undergraduates was federally funded, 10% was state funded, 7% was institutionally funded, and 10% came from other sources. Jokisch noted that this does not include the value of tax credits or deductions. Loans accounted for 60% of the financial aid provided to resident undergraduates in 2014-15, and grants accounted for 39% of the total. The remaining 1% included work study. Some task force members suggested the task force more closely consider the role tax policy plays in affordability.

Jokisch also addressed the affordability of a UW education, defining affordability as: (1) the ability to pay for educational costs; (2) the amount of unmet need after family contribution and aid packages; and (3) manageable student debt. He explained that tuition and fees at UW-Madison, UW-Milwaukee, and the UW comprehensive institutions account for a relatively small share of Wisconsin's median family income, and represent a smaller share of median family income as compared to peer institutions. However, the number of students in the UW System with unmet need has increased dramatically since 2008-09, and exceeded 50,000 students in

2014-15. In addition, the average amount of unmet need has also increased, exceeding \$6,000 in 2014-15 if loans are included, and nearly \$10,000 if loans are excluded.

In 2014-15, 74% of Wisconsin resident undergraduates graduated with student loan debt. Federal loans are limited each academic year by the cost of attendance, and include a lifetime maximum. Students can also borrow money from private lenders; private loan amounts cannot exceed the annual cost of attendance, but no lifetime maximum exists.

The increase in the number of students with unmet need, the growth in the average amount of unmet need and the increase in student debt is primarily due to the following factors:

1. the dramatic increase in the number of Pell eligible students
2. the increase in the number of students with an Expected Family Contribution of “0”
3. state and federal financial aid have not kept pace with higher education costs; and
4. state support for the UW System has decreased.

Jokisch concluded his presentation by suggesting several ways in which affordability may be addressed: (1) limit increases in tuition and the total cost of attendance; (2) increase federal financial aid funding; (3) increase state financial aid funding; (4) increase institutional financial aid dollars by either targeting a portion of tuition funds for financial aid or increasing external sources of funding for financial aid. Task force members also suggested increasing the number of students graduating within four years.

Following Jokisch’s presentation, Donna Dahlvang, Financial Aid Director at UW-Superior, provided a presentation focused on financial aid packaging, flexibilities, limitations and incentives at the institutional level. She began by explaining that the formula for determining financial need is the Cost of Attendance (COA) less Expected Family Contribution (EFC). Financial need is calculated annually for each student and family as part of the Free Application for Federal Student Aid (FAFSA), and will vary based on a school’s cost of attendance. Dahlvang also explained that the EFC calculation was established by Congress, uses both student and parent asset and income information, includes allowances for income and assets, and may be adjusted by an institution’s financial aid office as a result of verification corrections or individual professional judgement decisions.

Dahlvang provided some examples of how low- and middle-income students who receive the maximum amount of financial aid allowed, do not have sufficient resources to cover the COA. She explained that for a typical student attending UW-Superior with an EFC of \$5,071, the best possible financial aid award would be \$9,225, which would include a Pell Grant of \$725, campus Work Study of \$2,000, and \$6,500 in loans, leaving a student with approximately \$10,000 in unmet need. However, most students attending UW-Superior are from families with lower incomes and lower EFCs. While these students may be eligible for additional grants, their unmet need is still significant, making college unaffordable.

Dahlvang noted that the 451 resident undergraduate students at UW-Superior had an EFC of \$0, a number which has increased significantly since 2001-02. For a UW-Superior student with an EFC of \$0, the best possible financial aid award would be \$16,799, including \$8,299 in grants, \$2,000 in Work Study, and \$6,500 in loans, leaving the student with approximately \$2,500 in unmet need. According to Dahlvang, a large proportion of UW-Superior students are low-

income as 52% of resident students and 42% of nonresident students at UW-Superior received Pell Grants in 2014-15. She also noted that in 2014-15, the average unmet need for a UW-Superior student was \$9,145 if loans are excluded, or \$4,990 if loans are included.

Dahlvang explained that financial aid offices have little flexibility in packaging financial aid awards as most federal and state aid programs are determined by formula. One exception is the UW System Tuition Assistance Grant which UW-Superior uses to meet the needs of middle income students due to the flexibility of the grant program. She also noted that while institutions may have some flexibility in awarding institutional aid, the level of flexibility depends on the size of institutional endowments and scholarship base. She also noted that while some UW institutions have used differential tuition to increase institutional aid, UW-Superior does not use its differential tuition for this purpose and likely would not do so given the high number of students eligible for financial aid.

Dahlvang noted that the federal Perkins loan program will be ending effective September 30, 2017 and the Wisconsin Covenant program has ended, further limiting the resources available to Wisconsin students. In the future, the FAFSA will be available in October and will allow for the use of prior year family income, increasing the need for financial aid officers to use professional judgement in making awards and possibly increasing the competition for students with private colleges and universities.

Dahlvang asked that task force members consider the variation in student body composition among the UW institutions. She also noted that the availability of institutional aid money varies widely among campuses, as does the availability of differential tuition dollars for financial aid. She also reiterated the limited flexibility that financial aid offices have in awarding federal and state aid.

John Reinemann, Secretary of the Wisconsin Higher Educational Aids Board (HEAB) shared a handout with task force members that provided an overview of the financial aid process for students and families, as well as a description of the financial aid programs, and eligibility requirements of the programs, administered by HEAB. In 2014-15, HEAB spent \$138 million across all higher education sectors in Wisconsin. The largest program administered by HEAB is the Wisconsin Higher Education Grant (WHEG) program, which included \$58.3 million for UW System in 2014-15.

Use of Tuition within the UW System and Impact on Allocations

Due to time limitations, Regent Higgins announced that this portion of the agenda would be addressed at a future meeting.

Preview of Upcoming Meetings

Regent Higgins announced that the next task force meeting is scheduled for Wednesday, February 10th, at 9:00 a.m., and will focus on specific pricing strategies that address the needs of the state and some specific tuition-setting strategies and their effects on students and institutions. He also said he would distribute a post-meeting evaluation survey within the next few days.