



# Partnership With the State: Financial Aid

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# UW New Freshmen by Family Income

<b>Wisconsin Family Income Quintile</b>	<b>1992</b>	<b>1996</b>	<b>2000</b>	<b>2002</b>
Low (<\$30,000)	14.5%	13.7%	12.6%	11.1%
Low-Medium (\$30,000-\$45,000)	21.9%	22.8%	21.5%	18.3%
Medium (\$45,000-\$61,000)	25.1%	23.9%	24.9%	24.5%
Medium-High (\$61,000-\$87,000)	21.0%	20.3%	23.3%	25.4%
High (>\$87,000)	17.5%	19.3%	17.6%	20.7%

Sources: ACT, Inc. and U.S. Census Bureau

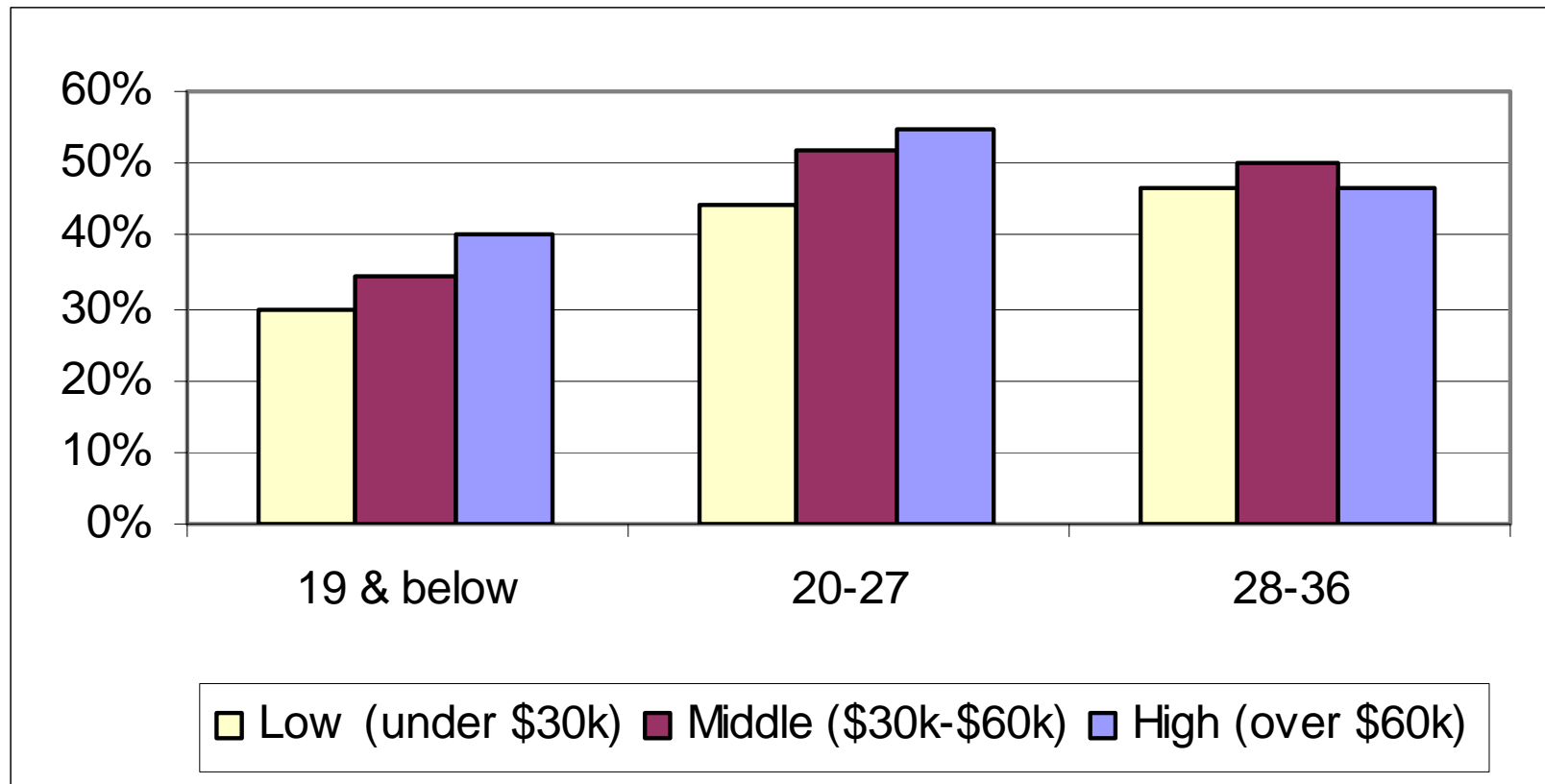
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# Wisconsin's Lowest Family Income Quintile

	<b>2000</b>	<b>2002</b>
Wisconsin Families	20.0%	20.0%
WI ACT Test Takers	15.6%	14.0%
Applied at UW	12.9%	11.5%
Admitted at UW	12.7%	11.1%
Enrolled at UW	12.6%	11.1%

- Fewer low income high school graduates take the ACT test.

# Access Rates by Income and ACT Score Range



- Regardless of ACT score, low income students have lower access.

# Financial Aid Policy

- What are our public policy goals for financial aid?
- What are the desired outcomes?
- What are the targeted populations?
- What are viable funding sources?

# Examples of Public Policy Goals for Financial Aid

- Access: Ensure all qualified Wisconsin high school graduates equal access to attend a UW institution, regardless of income.
- Retention: Reduce the financial barriers for low-income UW students so they can remain in school and thus complete their degrees.
- Brain Gain: Use financial aid incentives to encourage UW graduates to work in Wisconsin after graduation.

# Hold Low-Income Students Harmless When Tuition Increases (Hold Harmless)

- Pros:
- Future tuition increases would not decrease access
  - Attempts to maintain current retention rates of low-income students
  - Sensitive to tuition increases
- Cons:
- Would not reduce loan burden below current levels
  - Limited impact on increasing the number of graduates staying in Wisconsin

# Match the Federal Commitment for Low-Income Students (Pell Match)

- Pros:
- Potentially increases retention as it decreases reliance on loans
  - Dollars could be directed towards the lowest income/highest need students
- Cons:
- Program would be dependent on the Pell grant program, not UW tuition increases
  - Limited impact on increasing the number of graduates staying in Wisconsin

# Cover all or part of Cost of Attendance for Low-Income Wisconsin Residents (Modified NC Covenant)

- Pros:
- Increases access for low-income students
  - Removes economic and psychological barriers to attending college
  - Increases retention
  - Easy for students and parents to understand
  - Reduces the amount of borrowing
- Cons:
- Limited impact on increasing the number of graduates staying in Wisconsin

## Related Issues:

The state's need-based financial aid program (WHEG) is not permanently funded with GPR.

- Financial aid funded in 03-05 through auxiliaries will need to be funded with GPR to maintain current grant levels for students.

# State Need-Based Grant Programs in Other States

	<b>Expenditure*</b>	<b>Expenditure</b> (Adjusted for Population)	<b>Maximum Award</b>
Illinois	\$372.4M	\$165.3M	\$4,968
Minnesota	\$125.6M	\$135.3M	\$4,597
Wisconsin	\$55.1M	\$55.1M	\$2,500
Iowa	\$1.3M	\$2.27M	\$940

\*Expenditures for all sectors.

# Student Loan Forgiveness Program

- Pros:
- Potentially increases the retention of graduates in Wisconsin
  - Increases the number of graduates staying in Wisconsin
  - Enhances the state's economic development
  - Reduces loan indebtedness of Wisconsin graduates
- Cons:
- No additional financial assistance to students while attending college

# Timeframe for Achieving Our Goal(s)

- Short term recommendation  
(What needs to go into the 05-07 budget request?)
- Long term recommendation