

EXECUTIVE SUMMARY

A LITTLE HELP

*Is Financial Aid Keeping
College Affordable in Wisconsin?*



WISCONSIN
POLICY FORUM

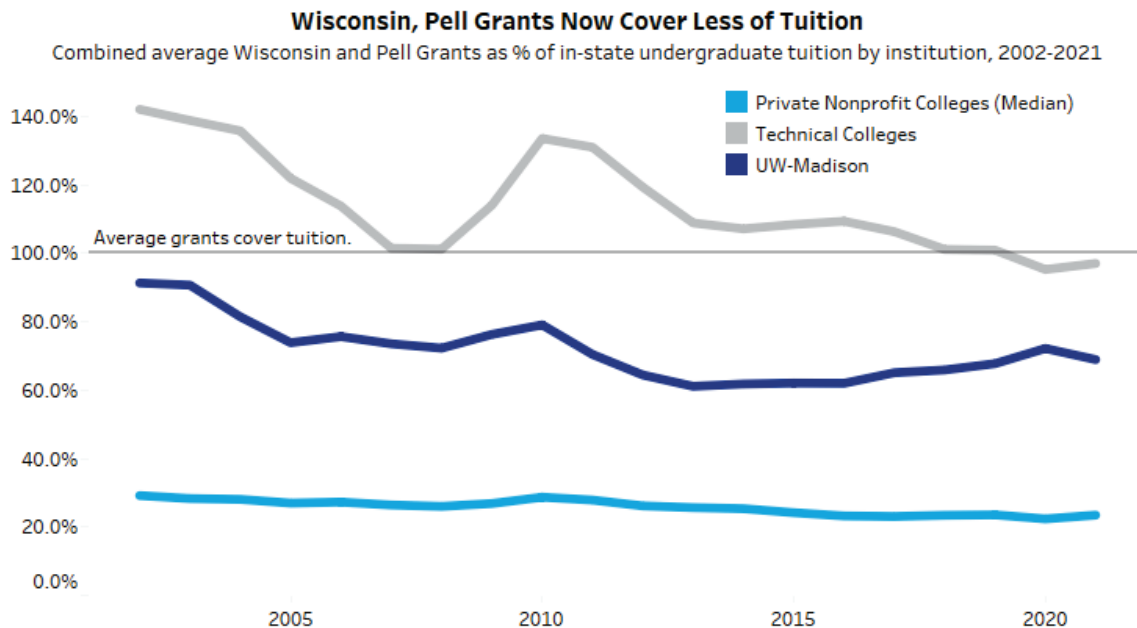
At a time when Wisconsin faces severe workforce shortages in several key sectors and demand for skilled workers has skyrocketed, enrollment in the state’s colleges and universities has generally been falling even faster than the national trend. Research shows financial aid could serve as one tool to help address this decline. Yet state and federal aid to students in Wisconsin has lagged and in some respects even declined over the past decade, eroding the buying power of key grant programs and leaving students to shoulder more of the cost of their education.

This report serves as a follow-up to two other recent Wisconsin Policy Forum studies on higher education. Both “[Falling Behind?](#)” and “[Degree of Difficulty](#)” laid out the stark challenges to Wisconsin’s public universities and colleges posed by declining enrollment, stagnant state funding, and a tuition freeze on in-state undergraduate tuition at the University of Wisconsin System.

This latest study finds that Wisconsin has not prioritized financial aid programs in recent years despite their potential benefits to the workforce and students, particularly low-income students and those of color. State funding has changed little over the past decade in key areas such as the average amount for Wisconsin Grants – need-based awards to students at public and private nonprofit institutions in the state that make up the bulk of state financial aid payments. To keep college affordable, lawmakers and governors have put more emphasis on the UW tuition freeze, which holds down costs for all UW students but does not target those most in need or assist technical or private college students.

Key findings include:

- State spending on grants, loans, and scholarships to undergraduates grew rapidly from 2000 through 2011 but has dipped in recent years, data from the Higher Educational Aids Board (HEAB) and Legislative Fiscal Bureau show. At \$119.1 million in 2021, total spending was down 0.5% from the \$119.6 million spent in 2011 before adjusting for inflation.



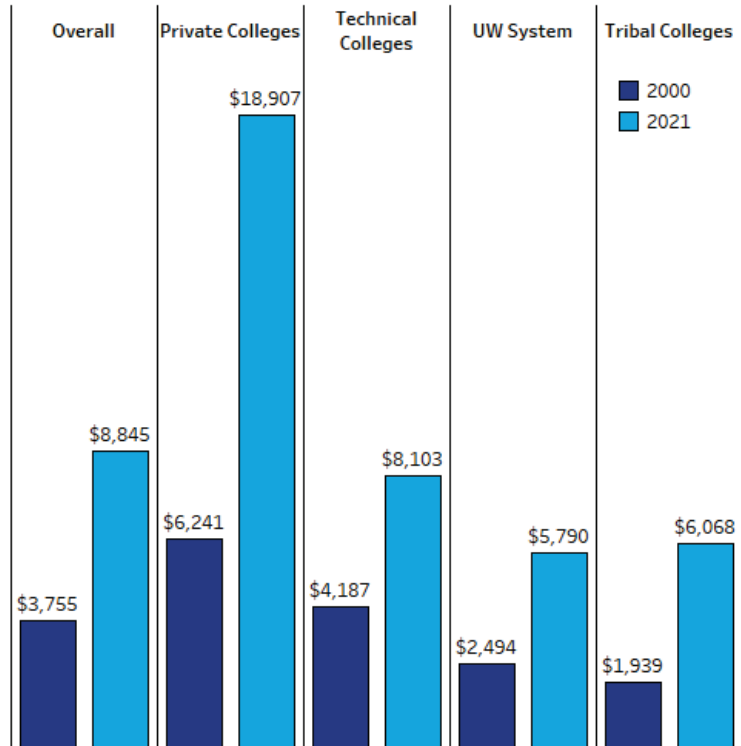
Sources: Wisconsin Higher Educational Aids Board, Legislative Fiscal Bureau, Integrated Postsecondary Education Data System; technical college tuition is for post-secondary and vocational-adult programs at 30 credits per year. The private nonprofit figures are based on the median for tuition at 22 applicable colleges and universities in 2021.



- Because statewide enrollments are declining, the average financial aid awards to students have held up better than overall funding, particularly for federal Pell Grants. Yet there are still challenges. Wisconsin Grants to UW System students averaged \$2,037 in 2021, down from \$2,163 in 2010 even before adjusting for inflation. The average award to Wisconsin Technical College System (WTCS) students fell from \$955 in 2011 to \$865 in 2021.

Unmet Student Need Varies Greatly by Institution

Average unmet need in 2000 and 2021 by Wisconsin institution in 2021\$

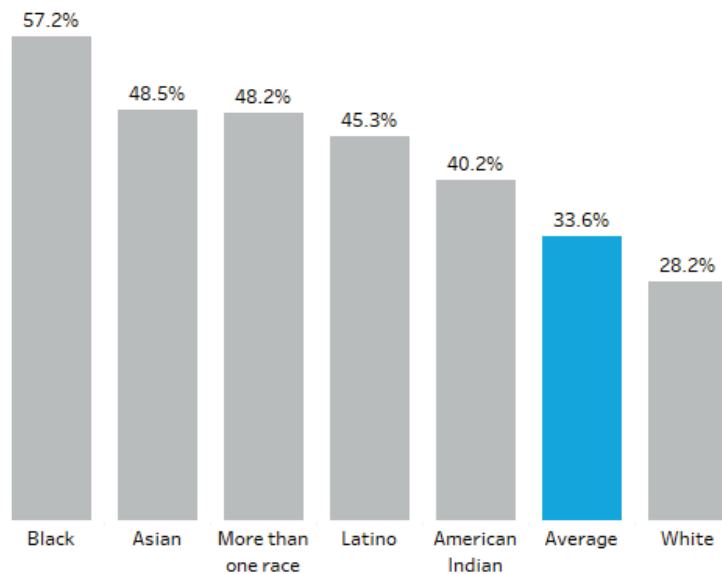


Source: Higher Educational Aids Board; figures for students receiving aid.

- The rising cost of higher education has eroded the purchasing power of financial aid programs. In 2002, the average Wisconsin Grant and Pell Grant combined for a WTCS student covered 142.1% of the in-state tuition for a student enrolled in post-secondary and vocational-adult programs, implying that some students at that time may have received funds for other costs besides tuition. In 2021, the combined state and federal grants paid for 97.1% of the same tuition (see chart on page 1). For UW-Madison students, the combined Wisconsin and Pell Grants covered 91.4% of in-state undergraduate tuition in 2002 but only 69% in 2021. For the private nonprofit institutions that provide data to HEAB – 22 in 2021 – the average Wisconsin and Pell Grants

Wisconsin Students of Color Rely More on Financial Aid

Undergraduates in the state receiving federal Pell Grants as share of total enrolled by race and ethnicity, 2018



Source: National Postsecondary Student Aid Study



together covered 29.2% of the median tuition for a full-time undergraduate at these four-year institutions in 2002 but only 23.5% in 2021.

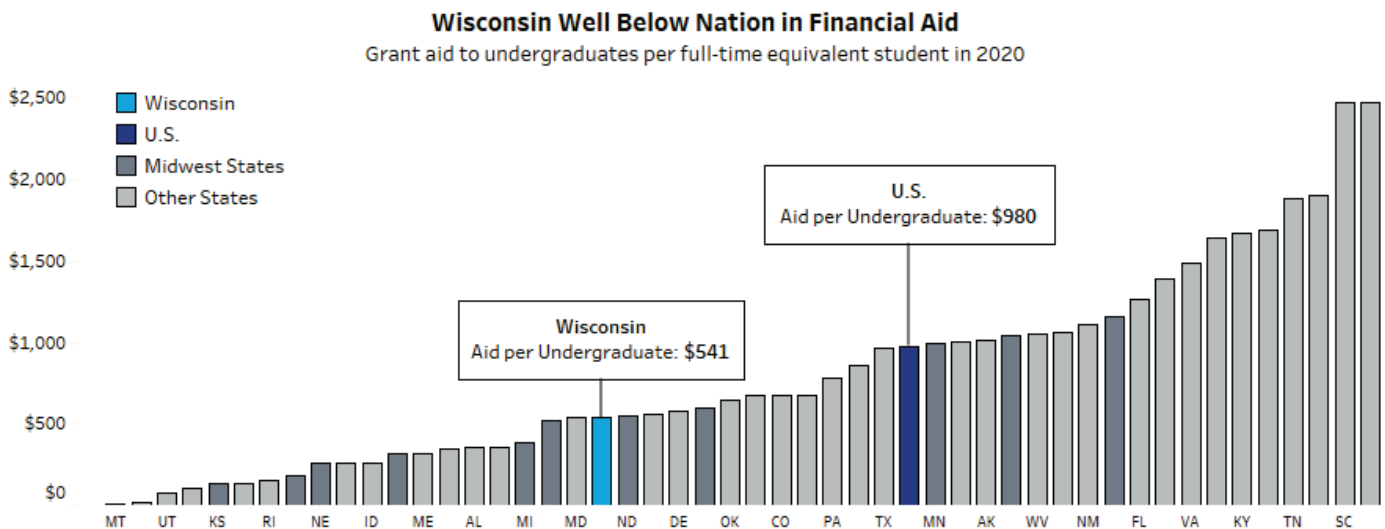
- Even after adjusting for inflation, the average unmet need for students receiving financial aid at all types of higher education institutions in Wisconsin has grown 135.6% from \$3,755 in 2000 to \$8,845 in 2021. The unmet need is much higher for technical college students at \$8,103 on average in 2021 than for UW System students at \$5,790 (see chart above).
- Students of color, whose enrollment and retention rates already fall below those of white students, rely particularly heavily on financial aid (see chart).

A growing body of research points to the value to the state and its taxpayers of providing financial aid to boost the skills, long-term earnings, and taxes paid by today’s potential students. Though there is variation among programs, the preponderance of academic studies point to financial aid making students more likely to enroll in, remain in, and graduate from college. An exhaustive [December 2019 meta-analysis](#) of dozens of other studies found that an additional \$1,000 of grant aid increased the likelihood of college and university students remaining enrolled from year to year by 1.5 to 1.9 percentage points and completing a degree by 1.8 to 2.5 percentage points.

Wisconsin Lags Nation in Financial Aid

Data from the [National Association of State Student Grant and Aid Programs](#) show Wisconsin falls below the national average in grant funding for undergraduates and has lagged other states in increasing total funding for financial aid. The gap increases the challenges for Wisconsin students as well as the state’s colleges and universities as they seek to recruit students. Our analysis finds:

- Wisconsin’s \$120.9 million in 2020 grants equated to \$541 per undergraduate in the state using full-time equivalent enrollment (see chart). That was 44.8% lower than the national average of \$980 per undergraduate, with Wisconsin ranking 30th among the 50 states.



Source: National Association of State Student Grant and Aid Programs



- Wisconsin's total grant aid to undergraduates increased from \$107.2 million in 2010 to \$120.9 million in 2020, or 12.8%. That ranked 36th among the 50 states. Nationally, grant aid increased by 46%, or more than three-and-a-half times as much.
- In Wisconsin, 7.7% of 2020 state support for higher education went toward grants for students. That share was substantially less than the 13.5% nationally, and Wisconsin ranked 28th overall among states.

Options for Aid

The state could make some progress on financial aid without spending huge sums. Potential low-cost options include consolidating small aid programs scattered across various state agencies, creating a one-stop state website that could provide information on all public financial aid programs for Wisconsin students, and supporting students and families to ensure they fill out a key form needed to access state and federal financial aid. A few options for additional spending include:

1. **Provide a Modest Boost in Overall Funding.** The state could provide a funding increase for the Wisconsin Grants at a relatively small cost. For example, it would cost just under \$6.1 million to provide an additional 10%, or \$204, to each of the 29,881 UW System students who received grants averaging \$2,037 in 2021. Providing increases of the same proportion to students at other types of institutions would require less in state funds since those programs are smaller. Some aid could be targeted if desired toward students studying certain in-demand fields.
2. **Tie Financial Aid to Student Cost.** A key problem for financial aid levels in Wisconsin has been the fact that neither overall funding nor average grant amounts are tethered to student costs. Going forward, the state could remedy that by tying either total funding levels or the target grant amounts for key programs such as the Wisconsin Grants to an objective standard such as tuition at Wisconsin or regional institutions, the Consumer Price Index or other inflation measure, or to another yardstick such as the unmet student need statistics tracked by the state.
3. **Expand Bucky's Tuition Promise or Consider Another Promise Program.** UW-Madison already offers Bucky's Tuition Promise, which guarantees enough scholarships and grants to cover four years of tuition and fees for freshman students with household adjusted gross incomes of \$60,000 or less. Such a program has the advantage of easily supplementing whatever aid is already available from state and federal programs as well as the institution and private sources. This approach lowers the cost of the promise even as it delivers a simple message to families.

In the 2021-23 budget process, the UW System Board of Regents and Gov. Tony Evers both sought to expand the tuition promise to other UW campuses at an estimated two-year cost of \$39 million. The funding – removed by the Joint Finance Committee – would have helped an estimated 5,900 students across the state in the first four years. Policymakers also should consider extending a similar promise to low-income students at technical and tribal colleges as well as providing some additional assistance to private college students in need. A promise program for technical college students would have a relatively modest cost for the neediest students given that the average federal and state grants already cover most of their tuition costs.



Finally, it is important to note additional financial aid funding on its own may not always deliver the best results for students. Other student supports may also prove beneficial and all programs should be tested and modified if needed to ensure their effectiveness.

During the pandemic, students have faced unprecedented challenges and, perhaps not surprisingly, post-secondary enrollment and retention rates have fallen to a concerning degree. This decline is not necessarily permanent and may represent for many students a mere delay in matriculation or completion of a degree. Yet the drop underlines the need to support students in this precarious time.

In one sense, an increase in state financial aid might be seen as an act of generosity by the state to help more students earn a diploma and unlock a lifetime of greater earnings and opportunity. Yet this spending would represent more than mere charity on the state's part and could boost long-term tax collections, help address some workforce challenges, and ensure a more equitable society. We hope this report will prove illuminating for the public and state officials as they consider the future of the state's students and workforce and its larger budget and priorities over the next several years.

