Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2011 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **11-1159/1**	Introduction Number **AB-0141**

Description
The Minnesota-Wisconsin student reciprocity agreement, the Wisconsin higher education grant program, and making an appropriation

Fiscal Effect

State:
☐ No State Fiscal Effect
☒ Indeterminate
☐ Increase Existing Appropriations
☐ Decrease Existing Appropriations
☐ Create New Appropriations
☐ Increase Existing Revenues
☐ Decrease Existing Revenues
☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
☐ Decrease Costs

Local:
☐ No Local Government Costs
☐ Indeterminate
1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
☐ Towns ☐ Village ☐ Cities
☐ Counties ☐ Others
☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
UWS/ Paige Rusch (608) 263-3307	Freda Harris (608) 262-2734	5/23/2011

Fiscal Estimate Narratives

UWS 5/23/2011

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Description The Minnesota-Wisconsin student reciprocity agreement, the Wisconsin higher education grant program, and making an appropriation		

Assumptions Used in Arriving at Fiscal Estimate

AB 141 proposes four changes to the Minnesota-Wisconsin student reciprocity agreement:

1. Reciprocity students first enrolling after the effective date of the legislation will be required to pay the higher of the resident tuition rate at the institution where the student is enrolled or the resident tuition at a comparable institution in his or her state of residence. Students currently enrolled are not obligated to meet this requirement for three years.

The existing reciprocity agreement currently uses this tuition structure. No change is expected from this provision.

2. Minnesota students attending University of Wisconsin institutions may pay a reciprocity tuition rate that is higher than the Wisconsin resident tuition rate. The increment between the higher reciprocity tuition and resident tuition is returned by the University of Wisconsin to the general fund as GPR-earned.

The University of Wisconsin currently follows this process. No change is expected from this provision.

3. GPR-earned under the Minnesota-Wisconsin student reciprocity agreement in excess of program obligations are to be used for Wisconsin Higher Education Grant (WHEG) recipients attending University of Wisconsin institutions.

Currently, the use of the GPR-earned is unrestricted. According to the Legislative Fiscal Bureau Informational Paper 85, there has not been a GPR-earned surplus since 2005-06.

4. As noted in the first point, current students generally pay the higher of the resident tuition at the institution where the student is enrolled or the resident tuition at a comparable institution in the student's state of residence. For Wisconsin residents attending Minnesota institutions, this usually means that the student pays the higher Minnesota rate. In general, the State of Wisconsin provides Wisconsin students a reciprocity supplement that pays the difference between the higher Minnesota resident rate that the student is charged and the lower Wisconsin resident tuition rate.

The proposed legislation prohibits the Higher Educational Aids Board from providing a reciprocity supplement to any student first enrolling after the effective date of the legislation. Students currently enrolled may receive a supplemental payment for three years following the effective date of the legislation.

As funding for the Minnesota-Wisconsin student reciprocity agreement is not provided through the University of Wisconsin budget and as this legislation formalizes existing practice, there is no direct fiscal impact on the University of Wisconsin.

Requiring GPR-earned to be used for WHEG will not have a direct fiscal impact on the University of Wisconsin. Funding for WHEG is provided through the Higher Educational Aids Board, and not through the University. Additionally, there is no provision that prevents a reduction in the existing WHEG allocation if new funds are allocated to WHEG from GPR-earned.

However, there is an administrative concern that impacts University of Wisconsin students. The concern is based on the language requiring the reciprocity tuition rate to be the higher of the resident tuition that would be charged the student at the public institution of higher education in which the student is enrolled or the resident tuition that would be charged the student at comparable public institutions of higher education located in his or her state of residence.

As noted earlier, this is generally the current approach used in determining reciprocity tuition rates.

However, unexpected situations occur that are best addressed by deviating from this practice. The current reciprocity agreement allows for some flexibility to account for these situations.

For example, in 2010-11, the UM-Twin Cities MBA resident tuition rate was $14,448. The UW-Madison nonresident MBA tuition rate was only $12,839. Under the proposed legislation, Minnesota students would be charged $14,448 - $1,609 more than other nonresident students.

The current reciprocity agreement has a provision that prevents reciprocity rates from exceeding the nonresident tuition rate. In other words, a reciprocity student could not be charged more than a nonresident student.

Similar situations to the MBA may also arise as tuition strategies in Wisconsin and Minnesota change. The proposed legislation would eliminate the existing administrative flexibility to adapt to these specific situations.

This bill would reduce expenditures for the State of Wisconsin, increase costs for Wisconsin residents attending Minnesota public higher education institutions, and possibly increase financial aid to UW System students who are eligible for WHEG awards. However, it would not have any effect on UW System revenues or expenditures.

Long-Range Fiscal Implications