



August, 2014

Local Funding of Wisconsin Technical Colleges

Local Funding Through Property Tax Revenue is Indispensable to:

- Responsive Colleges Driven by Local Business and Industry (page 2)
- Meeting Employers' Custom Training Needs (page 3)
- Equipment/Technology Necessary for Relevant Training (page 3)
- Voter Choice in Directing College Growth (page 5)
- Responding to Abrupt Workforce Dislocations (page 5)
- Rapidly Changing Programs and Staff for Rapidly Changing Employer Needs (page 6)

Local Funding is Balanced, Limited and Appropriate (page 6)

Local Funding Drives Exceptional Outcomes (page 7)

Conclusion (page 8)

- Wisconsin Business and Industry Oppose Eliminating Local College Funding
- The "Golden Rule" Applies
- Comparing the Cost of Problems and Solutions

Technical Colleges are Responsive to Business and Industry Because of Local Funding

Local revenue creates an ownership stake in each Wisconsin technical college that drives a dynamic two-way relationship: It drives college responsiveness to local employers and citizens, and drives a direct, active connection by those employers and citizens with their local college.

Employers and colleges share a higher level of commitment to joint partnership and mutual assistance because of local revenue. Businesses see themselves as owners and colleges see businesses as owners in a way that would not be possible if local funding is lost. A number of key local business partners have already expressed concern about their willingness to enter into joint equipment, facilities, technology sharing, and training contracts if local funding is eliminated.

These types of partnerships occur through highly localized investments at every college specific to local needs. For example:

Northeast Wisconsin Technical College responded to local marine manufacturing industry demand by developing the North Coast Marine Manufacturing Center in Marinette. The college investment was leveraged by partnership with a local investor to quickly purchase the building and equipment. The nimble response to skilled worker demand was an incentive to the US Navy in awarding Federal contracts to the district. Thousands of shipbuilders have been trained with industry specific skills since the Center's inception.

- *Gateway partnered with SC Johnson to create the SC Johnson integrated Manufacturing and Engineering Technology Center (iMET) in Sturtevant. The college's local investment leveraged private business donations of equipment, expertise, and funding. Besides serving SC Johnson, the college provides "boot camps" at iMET; intensive welding, CNC machining, industrial maintenance technician and certified nursing assistant programs to retrain the unemployed and underemployed.*
- *Chippewa Valley partnered with local dental providers, Marquette's Dental School and others to invest in a training facility and community dental clinic. It provides real-world clinical training for dental hygienist and dental assistant students and much needed care to low income patients.*
- *Waukesha County recently opened a new transportation center thanks to local funding leveraging private donations. It helps meet growing regional employer demand in logistics and trucking.*
- *Fox Valley partnered with Fabco and Caterpillar to create the FabTech Education Center, a diesel and heavy equipment training facility meeting critical job demands for Fabco and a number of regional employers. Fabco and Caterpillar invested millions of dollars in equipment, staff time, technical expertise and training materials.*
- *Northcentral created an Agricultural Center of Excellence near Wausau based on regional demand. The college's local investment leveraged a \$1 million dollar county investment and significant corporate and organizational donations and partnerships.*

Local funding also assures the colleges meet the needs of small communities. It allows them to do so much more effectively than under a state-funded system.

Without local funding, small communities would be at a competitive disadvantage for investment with large population areas.

Northcentral made local investments in distinct local communities based on their local tax support and community and employer needs. This has included creation of a Wood Technology Center of Excellence in Antigo, a Public Safety Center of Excellence in Merrill, Advanced Manufacturing Programs in Phillips, and Insurance, Software/IT, Nursing and other regionally important programs in Medford, Spencer and Wittenberg. In each case, the college's local funding leveraged other investment and community commitments to make needed programs a reality.

Local Funding Drives Responsiveness to Employers' Custom Training Needs

Technical colleges perform successfully on more than 5,000 customized training contracts with business and industry annually serving more than 90,000 workers. These contracts often require a flexible up-front local investment in equipment,

technology or remodeled facilities recouped over the life of the training or series of contracts.

Madison College used local funding to partner with the region's Workforce Development Board and seven area businesses - Anteco Pharma, Evco Plastics, Springs Window Fashion, McFarlane Manufacturing, Fisher-Barton Specialty Products, CM Global and Teel Plastics - to provide training in the areas of welding, programmable logic controllers (PLC) operations and manufacturing.

Training is custom-designed to deliver the exact skills needed. The colleges' ability to train incumbent employees exactly where, when and how employers need is threatened by the loss of local funding.

Local Funding is Essential to Providing Equipment and Technology Relevant to Business and industry

Providing equipment and technology necessary to stay relevant for local business and industry requires local capital funding. The range of required equipment and technology is staggering: CNC milling machines, welding booths, semi tractors and trailers, ambulances and police vehicles, industrial cranes, human patient simulators, diagnostic medical sonography (ultrasound) machines, flight simulators, and industry-specific software, among many others.

Without the ability to finance equipment and technology needs locally, it would take years to realize workforce solutions now possible in weeks or months. Aligning technical college equipment and technology with employers also supports high employer satisfaction, job placement rates and graduate earnings. It leverages

additional corporate partnerships and donations. Finally, it fuels a college culture that is unique in higher education; a culture that moves at “private sector speed.”

Responsive colleges must operate under the same financial principles as the world of

Fox Valley created the Advanced Manufacturing Technology Center in Oshkosh in 9 months (from concept to operation) to meet local demand for specialized production welders (up to 48 new industrial/production welders per cohort). The college’s local investment leveraged major donations from companies such as Miller Electric, Muza Metal, Jay Manufacturing, Walker Forge and Precision Thermo Processing. Even if Fox Valley remained locally governed, the loss of local funding itself would make this responsiveness impossible.

business itself. Technical colleges can’t keep up with the accelerated pace of business change without the ability to borrow, invest, reallocate and pay back capital and operating funds flexibly like private business. State funding and processes simply are not designed to be this responsive.

Rapid evolution at the speed of business is crucial to address changing needs in both workforce

capacity and changing work environments. For example, in the mid-2000s, employer demand and workforce projections led the colleges to double their output of nurses and other high-skill healthcare professionals in a period of less than two years. Without local funding authority, retooling health sciences labs and expanding faculty to accomplish this would have taken many years.

Today, health care delivery and its workplace environments are evolving extremely rapidly. In addition to investments meeting regional employers’ job demand, technical colleges meet employer needs by investing in training for an evolving care environment and rapidly changing industry. The colleges deliver on twin employer demands: supplying enough skilled professionals, and, assuring those professionals are trained in the right environment with the right skills.

Investing in local workforce capacity -- In 2008, Madison College partnered with Fort HealthCare and local community foundations to expand science laboratories and classrooms. This greatly expanded capacity for new health care students at the Fort Atkinson campus. The college’s investment leveraged the local healthcare community’s \$500,000 donation to make the project a reality for regional employers.

Investing in changing working environments -- Northeast Wisconsin recently leveraged \$2.4 million in local college resources to secure a \$1.1 million private investment expanding health care training facilities. Besides expanding capacity, this partnership created new employer-driven learning environments focusing on wellness and preventative services, and on in-home care environments for an aging population.

Local Voters Require Local Funding to Drive College Expansions

Each technical college district's citizenry has authority to approve major capital investments. Voter-driven choice to expand services and facilities is crucial in a state of distinct economic regions with unique challenges and opportunities. Ending local funding would eliminate local voters' authority and replace it with a less responsive, less direct, and slower state process. Decisions would be made on a statewide basis in competition between colleges, and between the colleges and all other state-funded interests.

Local voters' approval of local funding to meet crucial local and regional facility needs is the essence of local government. Without local voter authority to approve college expansions and make a local tax investment, technical colleges -- regardless of the intention to preserve other aspects of "local control" -- are no longer a viable or responsive form of local government.

Voters recently approved referendums at Western, Fox Valley, Madison and Southwest Wisconsin.

These local investments rapidly translate into new facilities and new capacity. Under state building and capital projects processes, projects can take well over a decade from demonstration of need to completion. Capital for college projects typically costs less than state-funded projects based on the colleges' higher bond ratings. In other district referendums, voters have not approved expansions. These decisions also provide valuable citizen input on the district's scope and capacity.

Southwest Wisconsin district voters supported using capital borrowing for several projects including the expansion of nursing and health care program facilities, purchasing land and developing a Public Safety Complex (serving dozens of the region's rural volunteer police, fire and EMT departments), an agricultural equipment and auto programs facility, and a unique 15-acre production agriculture plot. The ag equipment facility and test plot has strengthened partnerships with and donations from agri-business such as Case IH, local implement dealers and others.

Local Funding is Crucial in Times of Abrupt Workforce Dislocation

Rapid responsiveness to local needs is crucial when a business or plant closing

Lakeshore quickly invested and implemented new classrooms directly at the locations of companies facing worker dislocation such as Pentair, Hamilton, Tecumseh, and Mirro, to assist in training newly dislocated workers. The college rapidly added campus sections to existing high-demand programs and courses, such as nursing, certified nursing assistant, manufacturing management, general education, and welding to immediately re-train dislocated workers. They borrowed and invested local funds to expand CNC and robotics programs and, based on emerging local employer demand, to add a new food manufacturing program.

dislocates workers. The colleges' response is driven by local investment to quickly add services and programs and remodel/build out facilities much more nimbly than under state processes.

Local Funding Supports Rapidly Changing Programs and Staffing

The technical college program mix is locally driven by area employers. Based on job demand, cost effectiveness and projected wages, the local college board prioritizes and meets local and regional needs. By law, technical college programs originate locally. Under a state-funded system, other factors inevitably will influence which programs are approved or disbanded, and where specific programs will be located.

Milwaukee Area Technical College and FaB Wisconsin worked closely together to launch several food and beverage management programs. The programs align with the regional Milwaukee 7's food cluster economic development strategy for job growth and capital investment. They also meet growing demand for a skilled workforce to serve 300+ food manufacturers in the seven counties of southeastern Wisconsin.

Technical colleges started, discontinued and significantly revamped 500 different programs in the past decade; 75 programs in 2013-14 alone. This nimbleness in program mix is a function of local funding. Colleges also use local funding authority to assure faculty and staff positions are funded and filled to address immediate training needs. This would not be possible under centralized state authority for employee positions and position funding.

Local Funding is Balanced and Appropriate

The period from the mid-1990s to 2011-12 was characterized by significant college levy increases. This reflects a historical period that has ended and factors that are no longer relevant. During the period:

- State support of technical colleges eroded significantly. General state aid to technical colleges was higher in 1994-95 (\$110.5 million) than in 2012-13 (\$83.5 million). The state's share of core technical college funding plummeted from approximately 25% to 9% during this period.
- College enrollment surged. While state general aid fell 24% in actual dollar terms, technical college enrollment grew 37%. Total statewide FTE enrollment of approximately 55,000 in 1994-95 grew to more than 75,000 by 2012-13.
- Colleges operated in a binding arbitration environment. In contrast, state and municipal governments could continue to operate indefinitely under an expired contract until a new agreement was reached. Also, technical colleges, unlike K-12, did not have any form of "Qualified Economic Offer" limiting arbitration decisions. This environment ended with Act 10's passage in 2011.
- The strict limit on operating levy increases had not yet been imposed. Today, college operating levies may increase by no more than the greater of \$0 or by a factor comparing the value of net new construction growth to total district property values. Under the new limit, 2014 college levies increased statewide by 1.3%. This was less than the statewide 1.4% increase in total property taxes.

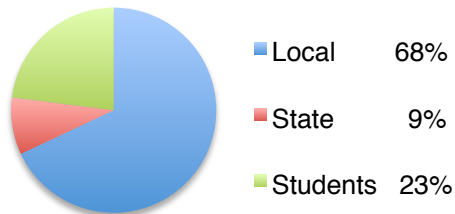
Technical colleges have long supported increased state funding, less reliance on property taxes, and better balance between local, state and tuition revenue. This goal was also a key recommendation of the 2004 *Assembly Speaker's Taskforce on Wisconsin Technical Colleges* that brought legislators and citizens together for detailed study of these issues.

This funding balance has been realized by 2013 Act 145, which invested \$406 million in state funds to buy-down college levies and create the balanced funding model technical colleges have supported for decades. This shift allows the colleges to remain locally responsive through local funding authority while assuring the college levy is a small and carefully limited portion of total property taxes.

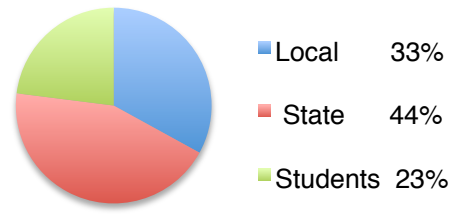
As of 2014, total technical college property taxes statewide will average \$129 per year on a median value \$151,000 Wisconsin home.

Historic Shift in Technical College Funding Under Act 145 (Top 3 funding sources = 100%)

2013 - 2014



2014 - 2015



Local Technical College Funding Drives Exceptional Outcomes

Wisconsin technical colleges' commitment to local responsiveness generates exceptional outcomes:

- 89% of graduates employed within 6 months of graduation; 74% employed in their field of study.
- \$37,000 median annual income for new 2-year graduates statewide just 6 months after graduation.
- 48% growth in average compensation within 5 years of graduation, a significantly higher increase than in the general workforce.
- 96% of Wisconsin businesses reporting their technical college is important to their overall business success.
- 93% of employers reporting they are very satisfied or satisfied with the quality of new graduates' skill level and training.
- 98% business satisfaction rate across 5,000+ annual custom training contracts.

Conclusion

Wisconsin businesses oppose ending local college funding -- In the past two months alone, more than 250 businesses, business leaders, chambers of commerce and economic development groups have contacted their local legislators describing how their local technical college responds to their needs and helps them prosper. These business leaders stress that *local funding itself*, not just local governance, underpins this responsiveness.

The “Golden Rule” -- Local funding itself is inseparable from the colleges’ local responsiveness because the state inevitably exerts greater control over operations it funds. The Golden Rule of public policy applies here: The government that provides the gold makes the rules. There is no way to maintain independent local decisionmaking and flexibility over time without maintaining local funding authority.

Problems and Solutions – An important way to assess key public policy issues is to weigh the cost of a problem against the cost or risk created by possible solutions. The underlying problem driving calls to eliminate the colleges’ local funding is a problem with Wisconsin’s overall property tax burden, not with technical college outcomes or responsiveness.

Determining whether the cost of a solution is worth the cost of addressing this problem depends entirely on which solution is selected. Eliminating technical college local funding authority is the wrong solution to the property tax problem. This solution has enormous potential cost and risks to business and industry and, ultimately, to the state’s prosperity. This risk is created by ending local funding itself, not just by changing local governance or decisionmaking.

Technical colleges do not oppose reform including tax reform. We initiated an historic change to “performance based” state funding in 2013 Act 20, the 2013-15 state budget bill, and supported the \$406 million funding shift created by 2013 Act 145. Our stakeholders -- thousands of Wisconsin employers and all Wisconsin taxpayers -- expect that any proposed solution best fit the problem and be the least costly and risky among viable options. Even if property tax reform is the state’s top priority among all revenue and expenditure choices, alternative property tax reform options are available that do not carry the cost and risk of undermining technical college responsiveness ♦

This report was prepared by Paul Gabriel for the Wisconsin Technical College District Boards Association. Any opinion or analysis in this report is exclusively the author’s.

Wisconsin Technical College District Boards Association
22 N. Carroll Street, Suite 103, Madison, WI 53703
608 266-9430 pgabriel@districtboards.org