



Senator Sullivan, Representative Jeskewitz, and members of the Joint Legislative Audit Committee, thank you for your invitation to provide testimony regarding the evaluation of Personnel Policies and Practices within the Wisconsin Technical College System. I am joined today by Dr. John Clark, President of Mid-State Technical College, and Mr. John Lukas, Vice President of LDI Industries, Inc., and a member of the Lakeshore Technical College district board.

We appreciate the Audit Bureau's efforts in completing an evaluation of our personnel policies and practices. I heard only positive comments from the districts regarding the professional manner in which the Audit Bureau's staff conducted their review. The report reinforces our System's strong commitment to public accountability and educational excellence.

I was pleased that the Audit Bureau reported general compliance with System and district policies and procedures in the areas reviewed. The System Office will work with the technical college districts to ensure that all five of the report's recommendations are implemented. I would like to more fully address the recommendation regarding technical college districts' plans for addressing other post-employment benefits costs.

As the Audit Bureau reported, the Governmental Accounting Standards Board issued new rules requiring public employers to recognize the costs of other post-employment benefits (OPEB) for retirees, which largely consist of health care costs. The disclosure and funding of the OPEB liabilities may pose challenges for many governmental entities across the state and nation. For most Wisconsin technical college districts, these new accounting rules do not take effect until FY 2008-09; nevertheless, thirteen districts have already completed their actuarial studies, and the three remaining districts will have their studies completed in the time required. The two districts with the largest liabilities—Waukesha County and Milwaukee Area—have both been planning how to finance their OPEB liabilities for some time. The Waukesha County district has already designated over \$30 million and created an irrevocable trust to accumulate additional funds to meet its liability, while the Milwaukee Area district intends to have a plan in place for its FY 2007-08 budget. The System Office will provide a report on all the technical college districts' plans for addressing OPEB costs to the Joint Legislative Audit Committee by September 1, 2007 as recommended.

I would also like to highlight that our technical college districts have a history of prudent financial management. In fact, according to Moody's Investors Service, Wisconsin's technical college districts have the highest bond ratings found in any state technical or community college system in the nation. Moody's has concluded that the districts' high-credit quality will likely continue in the future due to their healthy reserves and manageable debt level.

A portion of the Audit Bureau's report is dedicated to discussing employee compensation, particularly that of full-time faculty, and how it compares to other educational institutions. The report provides several possible explanations for faculty compensation levels. Most importantly, the report notes that those full-time faculty who earned compensation beyond the base salary stipulated in their collective bargaining agreement did so by working more than a full-time workload, primarily by teaching additional courses. Furthermore, the report indicates that many factors can influence faculty compensation, including tenure, the employment market, collective bargaining agreements, fringe benefits, and the extent to which institutions rely on part-time faculty.

I would like to expand on the Audit Bureau's observation about the factors that influence faculty compensation. Technical college districts must recruit and hire in very competitive employment markets. As noted in the Audit Bureau's report on economic development programs released in August 2006, the Wisconsin Technical College System makes an important contribution to the development of Wisconsin's economy by ensuring the availability of a well-trained and knowledgeable workforce. The responsive career and technical education provided by technical college districts requires faculty who have significant work experience and who are willing to work flexible schedules. Flexible faculty work assignments, including the use of additional teaching assignments, allow technical college districts to serve working adults and to meet the education and training needs of employers with minimal disruption to their business operations. Technical college faculty apply their hands-on industry experience and knowledge in the classroom to ensure students have the skills to meet the needs of employers and to achieve career success. Consequently, the technical college districts are competing to employ nurses, accountants, information technology professionals, and others who can demand a high salary in the private sector. Competitive compensation is critical to ensuring that technical college districts attract qualified instructors.

A common method for measuring personnel costs is to use full-time equivalent positions; a measure which recognizes the effect of using a mix of part-time and full-time faculty and extra work assignments to meet the instructional needs of higher education institutions. This is especially important in the Technical College System, where approximately 60 percent of faculty are part-time or adjunct faculty. As we illustrated in the audit response, the average earnings of a technical college full-time equivalent faculty position were \$62,094 in FY 2004-05, or \$12,504 less than the average earnings of a full-time faculty member highlighted by the Audit Bureau. As this difference illustrates, the use of part-time and adjunct faculty brings the average earnings of technical college faculty down substantially from that of full-time faculty alone.

Thank you for the opportunity to provide testimony regarding this important evaluation.

Testimony of John Lukas

Before the Joint Legislative Committee on Audit
Audit 07-2 WTCS Personnel Policies and Practices
May 23, 2007

Co-Chairpersons Sullivan and Jeskewitz and Members of the Committee,

I'm John Lukas, vice president of LDI Industries headquartered in Manitowoc. We are a manufacturer of hydraulics equipment with 150 employees at our Manitowoc plant and approximately 250 total employees. I have served as an employer member of the Lakeshore Technical College District Board since 2001, and I am president-elect of the Wisconsin Technical College District Boards Association representing the 144 board members of our 16 technical college districts statewide. I've also been active in regional workforce development activities and in supporting Wisconsin's manufacturing sector.

Lakeshore Technical College, like each Wisconsin Technical College, closely tailors its programming to meet the needs of business and industry and our local citizens. We provide students with the specific skills they need to go into good jobs in our region. As a manufacturer, I value this model and see its positive impact on our economy and on individual students' quality of life. I'm proud to be serving on a board that assures the delivery of well-trained workers and that promotes higher incomes and economic growth.

As a manufacturer, LDI Industries stays competitive by making sure we can hire and continuously train employees with the most up-to-date skills using the most up-to-date technology. For example, the machining technology we use today has changed very rapidly and the technical college instructors in related fields must be on the leading edge of that technology to train our workers so we can stay competitive. This is true across many fields that affect manufacturing. As just one of many examples, industrial electricians must understand today's machinery, technology, and manufacturing processes if we are going to keep our plant operating.

Much of the audit focuses on faculty salaries even though there is no specific recommendation in this area. I want to share a few thoughts with you as someone who competes for employees in my private and my public sector roles. LTC and all of our technical colleges compete in the private sector marketplace for talented professionals to teach our programs. Our faculty must have real-world professional experience and

**TESTIMONY BEFORE THE
JOINT LEGISLATIVE AUDIT COMMITTEE
May 23, 2007**

Senator Sullivan, Representative Jeskewitz, and members of the Joint Legislative Audit Committee, thank you for your invitation to provide testimony concerning the evaluation of Personnel Policies and Practices within the Wisconsin Technical College System.

My name is John Clark. I have the great privilege of being the President of Mid-State Technical College (MSTC). Mid-State Technical College is located in central Wisconsin with campuses in Wisconsin Rapids, Marshfield, Stevens Point, and Adams. The counties we serve include Wood, Portage, Adams and parts of Marathon, Waushara, Juneau, Jackson, and Clark.

As does every college in Wisconsin's Technical College System, MSTC serves the diverse and changing educational needs of our communities. The college is a valued and recognized leader in the development of the regional workforce and economy. Central Wisconsin has many desirable attributes and features. We have great recreational choices, excellent schools, diverse business and industry, and industrious people with lots of talent.

Our area world-class organizations include:

- Marshfield Clinic with 730 physicians in 80 medical specialties located in 41 centers throughout northern, central, and western Wisconsin.
- McCain Foods is one of 31 potato processing plants worldwide with the capacity to produce over 1 million pounds of potato products per hour making it the world's largest producer of frozen French fries.
- Renaissance Learning, serving more than 70,000 North American schools, is the leading provider of technology for personalized practice and continuous monitoring of reading, math, and writing in pre-k through grade 12 schools and districts.
- Sentry Insurance is one of the largest and strongest mutual insurance companies in the United States with headquarters in Stevens Point.
- Stora Enso is an integrated paper, packaging and forest products company. It is a global leader with 44,000 employees in more than 40 countries on five continents.
- Cranberries are one of three of North America's native fruits and Wisconsin is the nation's leader in cranberry farming.

Please be assured that Mid-State Technical College has cooperated and will fully comply with the Audit Bureau's recommendations and has taken steps to do so. I, too, commend the Legislative Audit Bureau staff for their professional manner in conducting this review.

On the topic of public accountability and educational excellence, I would like to share highlights of a recent study of the Wisconsin Technical College System conducted by the Wisconsin Taxpayers Alliance (WTA). Released last month, the Wisconsin Taxpayers Alliance found that WTCS graduates and the colleges' institutional spending combine to generate more than \$6.9 billion of state output annually. More than \$4 billion of this figure is due to the additional wages earned by WTCS graduates above the wages they would have earned with only a high school diploma.

The study notes that the wage figure represents the "lower bound" of technical colleges' impact because it measured only graduates and not the higher wages earned by many students such as working adults who carry specific courses but do not earn a degree or students earning a certificate of General Education Development (GED) or a High School Equivalency Diploma (HSED) at technical colleges.

Other significant WTA findings include:

- Public tax dollars used to educate students in 2005-06 created \$2.8 billion in economic output, a return of nearly \$4 for every \$1 invested.
- Every tax dollar invested in 2005-06 technical college graduates will yield nearly \$6 dollars in additional earnings. Over their lifetimes, these graduates will pour more than \$2 billion in additional earnings in Wisconsin's economy.
- Each year, tax dollars invested in the education of more than 409,000 citizens cycle through the economy, creating substantial economic output, jobs, and earnings.
- The additional impact of the technical colleges in terms of social benefits, such as reduced crime and fewer demands on social services, was not included in the study.

The Wisconsin Technical College System is vital to the health and wealth of the State's economy. We want to be held accountable to the public we serve and believe we are. Thank you again for the opportunity to provide this testimony.