

October 4, 2007

## Budget Still Hanging - Stakes Remain Very High for the WTCS and Our Stakeholders

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The state budget process by the numbers - October 4<sup>th</sup>, 2007:

- 96 Days of the new biennium that have passed without a budget.
- 12 Times the budget conference committee met over 10 weeks before the process was abandoned.
- 3 Weeks legislative leaders have met in secret since the conference committee failed.
- 1.2 Billion dollars separating the two versions after “Healthy Wisconsin” is removed.
- 14 Million dollars WTCS funding that would be cut under the Assembly budget version.
- 5 Percentage of total existing WTCS state funding this represents.
- 6 Million dollars in new funding the Assembly version eliminates for modest increases in student financial aid, partial funding of veterans tuition remissions, and Workforce Advancement Training grants; all of which were supported by the Governor, Joint Finance, and the Senate.
- 100 Percent of new dollars for WTCS stakeholders the Assembly reduction represents.
- 2 Bills introduced during the budget stalemate requiring election of technical college district boards because they tax “without representation.”
- 0 Legislators who have asserted that elected technical college district boards would result in reduced property tax levies.
- 13 Number of legislators co-sponsoring an elected boards bill, of 14 total, who also support a budget version imposing a new levy freeze on technical college districts.
- 17 Estimated percent of total levy dollar increases statewide since state general aid last increased (2001) that could have been avoided by a 3% annual increase in state aid.
- 0 State budgets proposing larger funding cuts in the past century.

## **Secret Process Makes Progress Difficult to Discern**

The state budget stalemate moved further underground after the Conference Committee process failed on September 14<sup>th</sup>. Over ten weeks, conferees met twelve times but agreed only to the approximately 600 budget items that were already identical or nearly so in the two vastly different budget versions.

Besides entropy, two factors pushed the Conference Committee to its demise. First, the Assembly passed two mini-budget bills setting school aid funding and imposing (on technical college districts) or reimposing (on municipalities and counties) property tax levy limits. This changed the dynamic. Assembly Republicans could now push for Senate Democrats to pass these mini-budget bills as essential timewise and as an antidote to a much larger potential property tax increase absent a budget. Senate Democrats and Governor Doyle responded that passing a partial “piecemeal” budget was against the public interest and would allow the Assembly to walk away from passing any overall budget bill. No budget overall would mean no “cost to continue” funding for the UW and state agencies, in addition to eliminating any new programs or reform of existing programs in the overall bill.

Second, a last ditch effort to break the budget stalemate in the Conference Committee failed. This compromise was intended to show the conferees could agree on something rather than simply talking past each other. It also intended to keep the Assembly from going to the floor to pass the mini-budget bills. Unfortunately, the attempted compromise was lubricated by the Democratic team’s willingness to accept some of the Assembly’s proposed cuts to technical colleges. A team of WTCS advocacy leaders responded and made clear that a small amount of budget negotiation happiness should not be gained at great expenses of WTCS students and stakeholders.

In the end, no compromise was reached. The best estimates we have of the final offers when the Conference Committee abandoned the budget process are as follows: The Assembly appeared to have moved from \$14 million in total cuts and no new program dollars to \$7 million in cuts and no new dollars. This also continued to include imposing a property tax freeze. The Senate appeared to have moved from flat funding to accepting a cut of between \$750,000 and \$1 million. The Senate would have required at least partial new funding of the proposed increase in Workforce Training Grant funding. It also would have deferred to later discussions the issues of financial aid and veterans tuition remission funding. The Senate would have accepted imposition of a levy freeze on technical colleges but at a higher rate than the Assembly. The Senate would allow up to +4.25% in total levy increases annually compared with increases between 2.6 and 3% annually in the Assembly deal.

Private or secret meetings have taken place sporadically since the Conference Committee ended on September 13<sup>th</sup>. Assembly Speaker Huebsch and Senate Majority Leader Robson have met at the Governor’s Residence and in another location near the Capitol. Progress reports suggest there has been a substantive discussion and offers made. Whether some larger issues have been agreed to is subject to debate and competing press releases day-to-day. There is no indication of the extent to which WTCS issues have been back on the table,

if at all. It is very challenging to know how these talks will affect our issues and how to influence that discussion.

## **The Budget Gap and New Revenue**

Without the Senate's "Healthy Wisconsin" healthcare program and taxation to fund it, the gap between the Assembly and Senate budgets is approximately \$1.2 billion over the biennium. This gap is about the same as the estimated new revenue coming in over the biennium under current law. Interestingly, the Legislative Fiscal Bureau has estimated there will be \$1.2 billion in new revenue this biennium without increasing taxes or fees because of economic growth.

For context, the Assembly's proposed \$14 million in cuts in existing WTCS funding represents about 1.2% of either the gap or new revenue coming in. Reduction of all \$6 million in proposed new funding for financial aid, training grants and veterans remissions accounts for another ½ percent of the gap/new revenue.

A major part of the challenge we face is found in another "bottom line" context that is likely more important for negotiators and their members. The Legislative Fiscal Bureau estimates that if the state adopted the Assembly's mini-budget funding for K-12 school aids (which closely matches the Governor's and Senate's numbers for K-12), but otherwise did not pass any budget, the biennium will end with about \$248 million in the bank.

However, adopting this school aid number and meeting the state's estimated "costs to continue" change the numbers dramatically. Under this scenario, the state would end the biennium with an almost \$1 billion deficit. The LFB estimates ending the current year \$349 million in the hole and 2008-09 an additional \$623 million in the hole.

These "cost to continue" numbers drive huge public policy and political choices. This gap represents the cost of funding previous appropriation commitments already in law, "sum sufficient" appropriations that the law provides will be funded as needed, caseload increases (such as medical assistance), population growth (such as Corrections inmates), and standard budget adjustments (salary and benefits costs, utilities, etc. for state agencies and employees).

This gap - the real gap between budget choices - can be characterized in another way. The two sides largely agree on the amount to send to K-12. However, if the Senate adopts the school aid bill individually, the Assembly can walk away from the balance of the budget and ensure a surplus at the end of the biennium. Of course, this results in significant havoc. It would require that Corrections, medical assistance, the UW, and all state agencies go without funds for increased compensation, benefits costs, or growing caseloads.

The Senate, in contrast, will not accept the "no budget" scenario for obvious reasons. It could settle for \$248 million toward costs to continue without imposing any new fees or taxes. However, this would leave \$972 million in costs to continue unfunded. This sets up a

pyrrhic battle between the UW, Corrections, and all agencies while also dashing hopes for any new program or service.

## **The “No Budget” Budget and the WTCS**

A “no budget” budget would have mixed results for the WTCS. On the positive side of the ledger, the Assembly and Senate have been debating in a range between flat funding and \$14 million in cuts. No budget means the WTCS continues at current funding levels. The best case, such as it is, prevails. No budget also means no new limits on levies and no new policy requirements affecting, for example, enterprise operations, audits, or liberal arts tuition increases. On the negative side of the ledger, no budget would mean the loss of any new funding for workforce training grants, for financial aid and for student financial aid. The worst case prevails here. Also, the WTCS agency would be in the same boat as other agencies without funds for new costs to continue. All of this is merely background supporting the notion that there’s no clear choice for or against a “no budget” scenario for the WTCS.

Food for thought: Our most acute immediate challenge is also our greatest longterm challenge. The “cost to continue” for technical college districts will be covered by property tax and tuition increases, not by state funding, in this biennium, whether there’s a budget or not. The property tax debate for K-12 and local governments occurs in the context of school aid and shared revenue. “Pass this budget or property taxes will increase!” Yet, technical college property taxes are rarely debated in the context of stagnant state funding and proposed outright cuts. Rather, they are debated in the context of the merits and extent of a freeze, and in terms of forced changes to our board governance model.

## **Everyone Matters in Advocacy Efforts**

We need a flood of contacts from students, from faculty and staff, from board members, and from anyone who supports technical college access and services. The message:

- Whatever budget is adopted, there is enough revenue to maintain state support of technical colleges (\$0 change to current law) and to support the modest increases (\$6 million) for financial aid, workforce grants, and unfunded veterans tuition remissions. This can be accomplished by adopting the bipartisan Joint Finance budget provisions for the WTCS.
- Even this objective - the best case possible between budget versions - fails to cover any costs to continue. This results in property tax increases.
- Imposing a levy freeze only makes the problem worse. Stagnant or cut state support plus unfunded mandates like veterans remissions will force massive cuts to access and services.
- This will occur when Wisconsin business and industry are in desperate need of trained workers, and when Wisconsin citizens are desperately seeking skills and training.

- Every legislator says he/she: 1. supports property tax relief, 2. supports business needs for skilled workers, 3. supports access to training leading to better jobs and higher incomes for constituents, and 4. supports their technical college.
- The only budget result consistent with those statements is one that does not hurt technical colleges; the bipartisan Joint Finance budget for the WTCS and Higher Educational Aids Board (financial aid and veterans remissions). Voting for a budget providing less than the Joint Finance amounts for the WTCS and HEAB is not consistent with statements 1 through 4.

The most important contacts are directly to the Speaker and Majority Leader. Contacts can be directed to them by any resident as they now constitute the process. Contacts can be made to all legislators with a request they pass on the message to the Speaker and Majority Leader.

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