

October 23, 2007

## Budget Details Emerging as Compromise Bill Goes to Full Legislature Today

The Legislature's Joint Budget Conference Committee adopted a compromise budget package Monday evening clearing the way for the bill to be considered in each house sometime today. Both houses already convened this morning. However, the Assembly remains in caucus briefings as of 2:00 p.m., and the Senate adjourned until the Assembly acts on the bill. Passage is expected in each house, and the Governor is then expected to act quickly to make partial vetoes and sign the overall package. A report with voting results and further details will be sent as soon as possible.

Based on a review of the 1,633 page amendment to SB-40 as published this morning, here is a summary of key provisions affecting technical colleges:

### **Property Tax Limit:**

The bill imposes a new limit on WTCS district tax levies for two years beginning this year. The limit applies to this year's levy, even if the district's levy has already been set. A district's levy may not be increased each year by more than the prior year's amount plus 4.0%. However, the limit exempts all levy amounts for debt service regardless of the date incurred. Effectively, this appears to be a freeze on operational levies only.

If a district levies more than the allowable amount under this limit, the WTCS Board must reduce the payment on state general aid to the district in the same year by the excess amount and lapse those funds back to the state.

This limit is more flexible than the limit imposed on municipalities, which may increase their levies by the larger of 2% annually or by the net increase in property values because of new construction (estimated statewide at approximately 3%). Municipalities had been under a 4% limit which expired on July 1, 2007.

We do not have any indication of whether the Governor will approve or veto the new limit on WTCS levies. The Governor has vetoed the attempted imposition of stricter limits on three past occasions including the 2005-2007 state budget bill.

### **Cut to Existing Funding:**

The bill requires a lapse of \$1 million of existing WTCS state funding during this biennium. This amount will also be lapsed again in the next biennium (2009-2011). A “lapse” means the amount is returned to the “base” for the next budget if no other action is taken. The provision does not require the funds come from a specific budget line (general aid or various categorical aid programs). In contrast to the WTCS, the UW System will be required to lapse \$25 million back to the state this biennium and again in 2009-2011.

The Governor’s original proposal maintained flat funding of WTCS general and categorical aid. The bipartisan Joint Finance Committee (JFC) and the Senate endorsed the flat funding proposal. However, the Assembly sought a cut of more than \$14 million over the biennium to existing WTCS funding. This represented a cut of approximately 5% of already-stagnant state funding. In the last public offers traded before the budget went underground, the Assembly had reduced its offer to a \$7 million cut. The \$1 million lapse is a victory of sorts in this context, but reinforces a longterm funding trend in which the erosion of state support for technical colleges places increasing pressure on property taxes and tuition.

### **Increase Triples Workforce Grants:**

The final package will increase funding for Workforce Advancement Training Grants by \$3 million over the biennium. The current \$1 million annual base funding will increase to \$2 million this year and to \$3 million in 2008 and thereafter.

The compromise also places a small business restriction on a portion of the grant funding. This limit had been negotiated in JFC. Of the total funding, \$500,000 (of \$2 million) this year and \$1 million (of \$3 million) next year and years after may only be used for small business grants as follows: The receiving business may employ no more than 100 employees and have gross annual income of no more than \$10 million. The grants are limited to \$20,000 per business and must be matched on a \$1-for-\$1 basis by the business. For regular grants not reserved to small business, the grant amount may be made in any amount and requires a match of \$1 dollar by the business for each \$2 of grant funding.

### **Partial Veterans Tuition Remission Funding Provided:**

The compromise restores the entire \$11.6 million over the biennium originally proposed by the Governor to offset the new 100% tuition remission for military and National Guard veterans attending the WTCS and UW. This amount was supported by JFC and the Senate. The Assembly version initially would have eliminated funding entirely. As

of the last announced offer, the Assembly had agreed to \$0 this year and \$5 million in 2008.

According to the Legislative Fiscal Bureau, the \$11.6 million funding represents an estimated 22% of the new remission's real cost. The funding will be provided to the Higher Educational Aids Board (HEAB) to be distributed at the same percentage rate to each WTCS district and UW campus. Thus, if the total remissions granted this year allow for 22% reimbursement statewide, each district will receive that percentage of its remitted costs back through HEAB.

### **Small Increase Realized in Wisconsin Higher Education Grant (WHEG) Funding:**

The compromise bill funds WHEG for WTCS students, the state's main needs-based financial aid program, with an increase of 2.5% this year and 2.4% next year. This is an increase of \$1.25 million over the biennium (\$417,800 this year and \$835,600 in 2008) added to current funding of \$16.71 million per year). This increase matches the Governor's initial proposal and the amount supported by the JFC and Senate. The Assembly initially negotiated for a 0% increase, but then increased its offer to 4% annually. The agreed-upon amount matches the increase for private/independent college and university students but is much lower than the 10% and 4% increases approved for UW students.

### **Earmark Existing Funds for NTC Program:**

The compromise requires the WTCS Board to allocate \$194,000 of existing Incentive Grant categorical funding to Northcentral Technical College in 2008-09 to implement a dairy science associate degree program. NTC must provide \$65,000 in matching funds. This provision was added by Senator Russ Decker (D-Weston) in the JFC process and was maintained in the Senate's version.

### **Commerce Department Grant to CVTC NanoRite:**

The compromise requires the Department of Commerce to make a Development Fund grant of \$160,000 to be used for the Chippewa Valley Technical College NanoRite facility. This provision was originally proposed by the Senate.

### **Assembly Policy Proposals Removed:**

Several policy items first proposed when the Assembly crafted its own version of the budget in June have been eliminated in the compromise bill. These included:

- Mandating a major increase in WTCS liberal arts program tuition with proceeds to be returned to property taxpayers.
- Mandating that districts enterprise operations (cafeterias, bookstores, child care centers, etc.) operate at 100% cost recovery by being prohibited from using public tax funding.
- Requiring the WTCS Board to establish tuition for English as a Second Language instruction.

### **WTCS Agency Operations Cut Restored:**

The Assembly's budget version also would have cut 20% of existing funding for WTCS agency operations. This cut was eliminated in the final compromise.

### **Public Broadcasting Cut Restored:**

It appears that public broadcasting funding, including funding supporting MATC Milwaukee's Channels 10 and 36, was restored in the final compromise. The Assembly budget version had proposed eliminating all public funding of public broadcasting.

### **Expand Funding of Youth Apprenticeship:**

The compromise includes \$1.6 million in new funding over the biennium for Youth Apprenticeship grants through the Department of Workforce Development. This is an increase to current funding of \$1.1 million annually of \$412,600 in 2007-08 and \$1.22 million in 2008-09.

An additional report will be issued as soon as possible.