



February 21, 2013

Governor's State Budget Proposal Invests in Technical Colleges, Creates New Flexibility and New Accountability Measures

- *Levy Freeze Loosened for New Construction Growth.*
- *General Aid Increased \$5 Million Beginning in 2014.*
- *New Performance Funding Formula for General Aid to be Phased-in.*
- *Categorical Aid Preserved and Given New Flexibility.*
- *30-Credit General Education Core to be Created for Universal Transfer between Technical Colleges and UW.*
- *No New Funding Proposed for State Financial Aid.*
- *Expanded Eligibility for Veterans' Tuition Remissions.*
- *Academic and Career Planning Software for K-12 and Charter School Authorizer Expansion Included in Bill.*
- *New Training Grant and Labor Market Information System on Fast Track in Separate Bill.*

Following Governor Walker's address to the Legislature last evening, his proposed budget bill for the 2-year period beginning July 1, 2013, was introduced at his request as AB 40. The bill will next be considered by the Joint Finance Committee (JFC), comprised of 16 legislators: 6 members of the Republican majority and 2 members of the Democratic minority from each house. The JFC typically assesses the bill in a series of briefings, followed by public hearings. It then begins several weeks of "executive action;" votes to adjust and shape the bill before it is presented to each house later in spring. After each house passes an identical budget version, the bill is returned to the Governor for any vetoes and for signing.

Based on a very preliminary reading of the 1,093 page AB 40, here are key proposals affecting Wisconsin technical colleges:

Levy Freeze Loosened for New Construction Growth

Operating levies at technical colleges have been frozen at 2010 dollar levels for the past two years. Under AB 40, that freeze will be eliminated and replaced with a limit that matches the limit in place for Wisconsin municipalities. AB 40 proposes that a technical college district could increase its operating levy annually by a new "valuation factor," defined as "a percentage equal to the greater of either 0% or the percentage change in

the district’s ... equalized value due to the aggregate new construction, less improvements removed, in municipalities wholly located in the district between the previous year and the current year, as determined by the department of revenue.”

This measure captures the increase in property values due to net new construction, *even if overall district property values were flat or decreased*. Net new construction values for the past year increased in every district in a range of between .4% to 1.1%. Here is an estimate for the current year, with percentage changes estimated by the Department of Revenue and fiscal impacts estimated by the WTCS staff:

Estimated Operational Tax Levy Flexibility		
Based on 2012-13 Valuations		
		Estimated
College	Percentage Change*	Fiscal Effect
Blackhawk	0.86%	136,643
Chippewa Valley	1.12%	331,509
Fox Valley	0.72%	351,450
Gateway	0.57%	291,618
Lakeshore	0.67%	118,664
Madison Area	0.81%	752,701
Mid-State	0.71%	116,248
Milwaukee Area	0.68%	698,875
Moraine Park	0.75%	226,105
Nicolet Area	0.42%	75,992
Northcentral	0.47%	104,688
Northeast WI	0.88%	384,031
Southwest WI	0.87%	95,367
Waukesha Co	0.84%	450,561
Western	1.12%	278,563
WI Indianhead	0.50%	156,390
Total		4,569,404
* Department of Revenue Estimate		

This new limit also eliminates the longtime tax rate cap of 1.5 mills. This is exceptional in that it would allow a district at or reaching the 1.5 mill rate cap to realize net new construction growth in its levy.

A district that does not use the entirety of the valuation factor increase in a year may rollover the unused portion to a subsequent year with a super-majority vote (7 or more of 9 board members) of the district board.

As initially proposed, however, the new valuation formula would not capture all new growth. The net new construction is calculated only on municipalities (cities, villages and towns) “wholly located” in a technical college district. Every technical college has some district boundaries following school district boundaries in addition to county

boundaries. According to the WTCS staff, it appears some 152 municipalities (1 city, 2 villages and 149 towns) are not wholly within one technical college district.

As written, the bill would exclude net new growth in these villages and towns from counting in either technical college district's "valuation factor." This means that major new construction in a split town would not increase either college's levy capacity. The WTCS staff and our advocacy team are already working on possible amendments that would count all of a district's area and growth in the valuation factor.

General Aid Increased \$5 Million Beginning in 2014

The Governor proposes increasing WTCS general aid by \$5 million annually beginning on July 1, 2014, the second year of the budget. General aid funding is distributed by formula and is the state's primary investment in technical colleges. The current year aid amount of \$83,534,900 would be maintained in 2013-14 and then increased to \$88,534,900 for 2014-15 and subsequent years. This represents a 6% increase in the second year of the new biennium.

General aid funding reached a high point of \$119 million prior to the current biennium. It was cut approximately \$31 million annually beginning in 2011 in return for savings opportunities created by Act 10.

New Performance Funding Formula for General Aid to be Phased-in

Beginning in the second year of the biennium, 10% of general aid, \$8.85 million, will be distributed by "performance" driven formula measures instead of by the current partially-equalized formula. Currently, the total general aid appropriation is distributed based on a complex formula driven by factors such as a district's property values, enrollment and costs relative to other districts.

The new budget proposal would shift general aid from the current formula to a performance-based formula over several years, as follows: 10% of aid would shift in 2014-15, 20% in 2015-16, 30% in 2016-17, 40% in 2017-18 and 50% in 2018-19. Beginning in 2019-20, and for years thereafter, 100% of general aid would be distributed under the new performance formula.

The budget bill provides that the performance formula and allocation of funds be based on a series of factors as follows:

1. "The placement rate of students in jobs related to students' programs of study." This rate is already tracked by the WTCS and is very high. In fact, the WTCS may have the best and most powerful data on job placement of any higher education entity in the country.
2. "The number of degrees and certificates awarded in high-demand fields. The WTCS (state) board and the department of workforce development shall jointly determine what constitutes high-demand fields and revise the determination as necessary." The WTCS should be in a very good position relative to any other entity on this measure based on our focus to rapidly match programs with job skills and competencies needed.

3. “The number of programs or courses with industry-validated curriculum.” Wisconsin technical colleges are adept at implementing industry-driven skills standards into training from short-term to complete programs.
4. “The transition of adult students from basic education to skills training.” This measure very appropriately recognizes the colleges’ role in transitioning adults from pre-college work to college-level work.
5. “Participation in dual enrollment programs.” Dual enrollment programs are those in which a high school student receives credit for both her high school graduation and college credit. Technical colleges already enroll some 19,000 students annually in dual enrollment experiences.
6. “The workforce training provided to businesses and individuals.” This measure recognizes that custom and other non-degree training for incumbent and dislocated workers is a core function of Wisconsin technical colleges.

The WTCS Board will have the responsibility to refine and shape the performance formula and to make a recommended allocation of funds to districts based on the above factors provided in the bill. The budget summary further provides that “... to ensure accountability, the Wisconsin Technical College System Board may only award the performance funding based on an allocation plan approved by the Secretary of Administration, and must provide annual reports to the Legislature and the secretary regarding progress toward the state priorities.”

Overall, this will result in a new distribution of state support in which the performance factors increasingly drive funding while the existing general aid formula is retired. This represents a watershed change for the WTCS, the state board, and the colleges. In terms of positives, the proposed measures are exactly the types of outcomes technical colleges are known for as national leaders. In an era of increased accountability and demand for firm outcomes, we are extremely well-positioned to perform under these standards. In terms of negatives, assessing each college against the others on some of these measures may not reflect meaningful changes in performance, especially when the beginning base line is very high. When placement in jobs related to the area of study is already exceptionally high across all districts, a dip or surge from year-to-year may be reflective of the local economy or other factors unrelated to effective stewardship of the particular college relative to others.

Categorical Aid Preserved, Renamed, and Given New Flexibility

Other than general aid described above, technical colleges compete for or are granted shares of additional state funding allocated for specific purposes. This “categorical aid” totals approximately \$22 million annually and is used for 17 different purposes ranging from Workforce Advancement Training Grants to New and Emerging Occupations Grants and others. As of December, 2012, it appeared that the entire \$22 million might be cut from WTCS funding in this budget. Instead, AB 40 would protect the existing funding and all statutory purposes for categorical aid.

The funds would be placed into a single “block grant,” called “Grants to District Boards,” to be distributed for any or all of the existing categorical purposes by the WTCS Board. According to the bill summary “... to achieve improved performance, appropriations for all technical college categorical aid and grant programs are consolidated into one appropriation which can be used to fund either the previously separate aid and grant programs, or new initiatives to earn performance funding monies.”

This effectively keeps the aid amount and its range of purposes in place but removes the specific allocation of funds for each category.

Creation of a 30-Credit Transferable General Education Core

The budget bill requires the WTCS and UW System to enter into an agreement to ensure that, beginning in the 2014-15 academic year, at least 30 credits of “core general education” courses are uniformly transferable within and between each UW school and technical college.

According to the Governor’s bill summary: “Most traditional-age undergraduate students will attend at least two different institutions during their college careers; however, it is difficult for Wisconsin students to know whether academic work they have already completed will count at another institution due to a patchwork of hundreds of articulation agreements among state higher education institutions. By requiring that basic degree requirements be transferable among all state public institutions, students will be assured that they will not lose credits, time and money by transferring to a new institution.”

Core general education courses are defined as “courses generally required for an undergraduate degree that are prerequisite or otherwise in addition to the courses required for an undergraduate degree in a specific course of study.” Based on an initial reading of this definition, it appears the core courses must be fully countable toward any undergraduate degree without loss of credit toward graduation in any course of study.

While this requirement is directed at the UW and technical colleges, it requires the parties to ensure that in-state tribally-controlled colleges and nonprofit institutions of higher education that are members of the Wisconsin Association of Independent Colleges and Universities (Ripon, Edgewood, MSOE, etc.) have an opportunity to participate in the agreement.

No New Financial Aid Funding Proposed

Despite enormous need, the budget proposes no increase in funding for Wisconsin Higher Education Grants (WHEG) for technical college or UW students (or for private/independent college and university students under their parallel program).

Expanded Eligibility for Veterans’ Tuition Remissions

The budget bill proposes to “revise eligibility standards for the Wisconsin G.I. Bill to allow veterans who move to Wisconsin to establish residency to claim benefits after five years.... Currently, veterans who would otherwise qualify for tuition remission at a

University of Wisconsin or Wisconsin Technical College campus must have entered military service while residents of the state, regardless of how long they have subsequently lived in Wisconsin. This revision extends the tuition remission benefit to otherwise qualifying veterans who have been Wisconsin residents for at least five years.”

Additionally, the bill proposes to “...eliminate an arbitrary time limit for spouses of veterans who were disabled or killed in the line of duty to use educational benefits. In several cases, spouses were not aware of the benefit until it was too late to qualify. Eliminating this limit will permit spouses to claim educational benefits earned by a service member when it is best for them.”

The bill will also require veterans receiving tuition remission benefits for the first time to maintain a 2.0 grade point average, which is consistent with the requirements for other state and federal higher education programs.

Other budget proposals that affect or may affect technical colleges include:

Academic and Career Planning for K-12 – “Provide funding to begin implementation of a statewide academic and career planning system, which will assist school districts in standardizing a process through which students direct their study toward a postsecondary pathway that fits the students' academic and career interests and skills. School districts will be required to provide academic and career planning services beginning in 8th grade by the 2017-18 school year.”

Charter School Authorizer Expansion – Reform the independent charter school system. Allow “nonprofit, nonsectarian entities” to apply to become independent charter school authorizers, which, in turn, may approve local schools. Create a new “Charter School Oversight Board” which will oversee the approval of new independent charter school authorizers. Current authorizing authority for school districts, UW-Milwaukee, MATC-Milwaukee and others is preserved.

New Training Grant and Labor Market Information System on Fast Track in Separate Bill

The Governor notes that the budget bill and the separate twin bills, AB 14 and SB 23, will provide nearly \$100 million of new state funds to equip workers with the skills they need to find jobs in the modern workforce. In addition to the elements in the budget bill itself, AB 14 and SB 23 will create a grant program of \$7.5 million annually located at DWD. Technical colleges are expected to be a highly competitive partner for these grants to provide employee training in cooperation with business and industry, economic development groups and others. The twin bills will also fund creation of a statewide “labor market information system (LMIS),” to monitor and predict the jobs available or coming on line across the state.

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

This preliminary report is based on a first review of the 99 page "Budget in Brief" and the 1,093 page text of AB 40. Additional details will be provided as soon as possible.