



July 24, 2014

Legislative Council Study Underway

- **First Meeting Held July 24th**
- **Invited Testimony Largely Positive, But Some Call for Complete Elimination of Local College Property Tax Funding.**

The Joint Legislative Council Committee on Technical College Funding and Governance met for the first time July 24th in the state Capitol for approximately 5 hours. After preliminaries and introductions, Legislative Council staff attorneys and Legislative Fiscal Bureau staff briefed the group on the WTCS mission, structure, functions and funding. A “Leg Council” staff briefing paper and other materials, including written testimony submitted today, is posted or will soon be posted at: <http://docs.legis.wisconsin.gov/misc/lc/study/2014/1193>.

The meeting drew approximately 50 observers, significantly more than any Leg Council committee meeting in recent memory. The audience included legislative staff, media, college leaders and board members, and advocates from various interest groups including K-12 and counties, Realtors, Wisconsin Manufacturers and Commerce (“WMC”), and the Wisconsin Educational Association Council (“WEAC”), among others.

Much of the day’s testimony was positive and focused on college responsiveness, the local nature of technical colleges, and extremely positive outcomes locally and as a system. As summarized below, some invited speakers called directly for the elimination of local technical college revenue and raised issues about governance by appointed local boards. Brief highlights of the invited presenters follow in the order of testimony:

Morna Foy, System President, and Drew Petersen, Board President, Wisconsin Technical College System

- Highlighted rapid college responsiveness to businesses using examples such as Marinette Marine and Ocean Spray.
- Addressed funding issues and how historically larger increases in property tax levies were driven by factors that are no longer in play such as declining state funding in times of enrollment increases and the state’s significant “buy down” of local levies earlier this year. Noted that these increases also predated strict operating levy limits.
- Stated that the state WTCS does not support a shift of district authority and funding exclusively to the state. Doing so would result in a loss of close local

stakeholder relationships and responsiveness that no central state entity could sustain.

- Reflected on the “Golden Rule,” that the government providing the “gold” will inevitably make the rules, regardless of the underlying governance model.
- Noted the likelihood of higher costs resulting from shifting control from local to the state level in areas such as the cost of capital, and in lost opportunities and efficiencies in insurance and purchasing consortia, among others.
- Supported the stability, strength and flexibility of multi-source revenue streams balanced between the state, local citizens and students.
- Noted that research shows that more locally-funded college systems tend to offer more occupationally-oriented programs.
- Promoted that the property tax creates a sense of local ownership and expectations that fuel college responsiveness.

Melanie Holmes, Chair, Milwaukee Area Technical College Board (former vice president, Manpower Group) **and Dave Minor, Member and former Chair, Wisconsin Indianhead Technical College District Board** (President/CEO, The Chamber, Superior and Douglas County)

- Highlighted district boards as responsive to highly unique local environments that vary greatly in demographics and needs.
- Reflected on the dedication and service of businesspersons and community leaders who become involved in college governance. The governing model also promotes participation of leaders from a variety of backgrounds including workforce development and chambers of commerce.
- Emphasized board member connections with their communities and the driving focus on assuring community needs are met.
- Noted the nimble and rapid response possible to meet community needs relative to state entities. Described examples of districts meeting needs in 2 months that would take years, at minimum, to address under state control and funding.

Joe Murray, Director of Political and Governmental Affairs, Wisconsin Realtors Association

- Expressed support for technical colleges’ responsiveness and role, but not for property tax as a funding source.
- Described a series of “myths” about property taxes including the assertion that it is a myth Wisconsinites support the use of property taxes in return for receiving high-quality local services.
- Described as a myth that changing technical colleges’ revenue mix would result in erosion of local control and responsiveness locally.
- Responded in answering a question, that state strategies to reduce property taxes by reducing but not eliminating them are typically not effective over time: “From our experience, after watching this debate over the last 30-35 years, the only way you ultimately start and keep property taxes going in a certain direction is to take stuff off the property tax.”

Todd Barry, President, Wisconsin Taxpayers Alliance

- Reviewed historical perspectives on Wisconsin’s tax policy and specific trends related to technical colleges.

- Noted that finding alternative revenue sources to replace technical college local funding poses challenges. In response to a question, reviewed alternate funding possibilities, such as replacing property taxes with a local payroll-based tax.
- Endeavored that, while he is not a lobbyist and does not take political positions, the persons who “founded this country” were motivated “by the loss of elected representation” in the face of “increased taxation by the British monarchy.” Stated that, while he was not weighing in on this as a recommendation, the committee or legislature might talk about either: 1) full state funding/not funding colleges with property taxes, or, 2) maintaining local funding but electing district board members.
- Suggested that it would be easier to take smaller entities (forestry, technical colleges, counties) fully off the property tax than to attempt further reform the dominant portion of property taxes, the K-12 levy. Noted that K-12 reform is very difficult to reform because “local control is so strong” due to locally unique school districts and needs.
- Agreed that the property tax is a stable revenue source compared with more dynamic state revenue because state tax collections vary more as the economy changes.

Michael Birkley, Legislative Director, Wisconsin Taxpayers, Inc.

- Focused on taking colleges completely off property taxes based on how much “the world has changed” since 1911.
- Asserted that the taxation of property is simply inappropriate for funding a system of higher education.
- Noted that, based on the shift of \$406 million from local to state funding earlier this year, it “only takes another \$402 million” (annually) to accomplish this.

Jason Culotta, Director of Tax and Transportation Policy, and Chris Reader, Director of Health and Human Resources Policy, Wisconsin Manufacturers and Commerce

- Noted WMC’s close working relationship with technical colleges. This includes close member interests and partnerships with the colleges, WMC “Workforce Paradox” meetings with business leaders convened at every technical college statewide, and a new partnership initiative (including the WTCS) toward developing a long-term state economic growth strategy.
- Described how WMC members surveyed are largely positive about technical college performance, with some exceptions.
- Noted that some WMC members who feel less well-served might benefit from being able to better influence college district boundaries/which college serves them.

Josh Dukelow, Vice President, Public policy and Leadership, Fox Cities Chamber of Commerce

- Celebrated technical colleges’ strong relationship with business and industries and close two-way beneficial partnerships.
- Linked local funding, despite sensitivity to property taxation, to the colleges’ top-level outcomes and responsiveness.

- Reflected on how local boards comprised of non-political employers and employees leads to responsiveness.
- Stated, in support of maintaining local college funding: “The same people who pay property taxes to support technical education pay municipal taxes to support law enforcement, pay school taxes to fund primary education, pay income taxes to fund state services and pay sales tax when they shop or dine. ... To maintain our premier educational resources in Wisconsin, we will have to pay one way or another.” (quoted from Wisconsin Public Radio coverage of the meeting).

In other meeting highlights:

- Committee Chair John Nygren noted that he has no pre-conceived outcome in mind for the group’s work and hopes that no other members do either.
- Representative Nygren note more than once that he “is not there yet” on accepting that further funding reform will necessarily affect local college governing control or responsiveness.
- In response to the strong positive testimony by the Fox Cities Chamber, Representative Nygren noted that **he has heard loud and clear from Fox Valley business and industries but not from other districts**. He wondered aloud if only Fox Valley is excelling with business partnerships. He asked if other districts might need to follow FVTC’s lead in terms of how they do business.

Some of the questions and themes raised during the meeting that are likely to be topics at future meetings include:

- Collaboration and potential mission overlap between technical colleges and UW 2-year colleges. This could also include the role of general studies and liberal arts offerings at technical colleges.
- Bonding issues and TIF issues and the how changing from local to state funding could affect them.
- “Return on investment” and outcomes for taxpayer investment, including the suggestion that some colleges perform well while others may not.
- Hearing from more manufacturers and “job creators” about their specific needs.
- Exploring how other states fund 2-year higher education and if different models could work well in Wisconsin.

The notion of how *local funding itself supports responsiveness* (distinct from governance and control) will be a continuing theme. It is also likely that appointed/ elected board and taxpayer representation topics will remain prominent in future meetings.

The committee’s next meeting will take place in the Capitol on August 27th.

This report was prepared by Paul Gabriel for members of the Wisconsin Technical College District Boards Association. It is based on the best information available upon publication. Any opinion or analysis in this report is exclusively the author’s.