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Legislative Update

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Technical College Funding is on the Table for 2015 Tax Reform

Background: Technical College Funding and Governance in the Current Session

On October 10th, business leaders weighed in heavily in person and by letter at a public hearing opposing AB 177, the bill to end technical college local control and local funding and to create a new state-controlled and funded system. That bill, which would be implemented based on a statewide referendum, would also increase the state sales tax 20% (.05 to .06) but not directly link any of the proceeds to replace almost \$800 million in lost local property tax revenue supporting technical colleges.

Hearing testimony strongly supported a direct connection between technical college responsiveness/results and local control and funding. While AB 177 itself does not appear likely to pass this session, the theme of “taking technical colleges off the property tax” is alive and well, and has been the subject of public discussion by both the Governor and the Assembly Speaker.

The Session Ahead

With 2014 leading to November elections for Governor, all 99 Assembly seats, and one-half of the state Senate, any discussion of good public policy ideas is already affected by the gravitational pull of elections. This is enhanced each day by a growing sense

that the current legislative session will rapidly accelerate now and will conclude before we know it. Any bill not passed prior to adjournment, likely in March, evaporates and must be reintroduced in a new session. The pull homeward becomes stronger for legislators each week and month as elections loom and regular session floor business winds down in the Capitol.

The brand new Legislature and session beginning on January 1, 2015, will turn rapidly to focus on a 2015-2017 biennium state budget bill establishing state programs, revenue levels and expenditures for the two years ahead.

Governor and Assembly Speaker List Technical College Funding Among 2015 Tax Reform Ideas

Governor Walker has publicly expressed interest in including a major tax overhaul in the 2015 state budget bill. In a December 25, 2013, *Milwaukee Journal Sentinel* article, he is quoted as considering tax reforms ranging

“... from eliminating or flattening the income tax to dropping technical colleges from local property tax rolls.”

In the same article, Assembly Speaker Robin Vos (R-Burlington)

“... said he is open to raising the sales tax to take property taxing authority away from unelected technical college boards and instead leave it in the hands of legislators.”

When this same topic came up in pre-budget discussion just prior to the current session (December, 2012), we pointed out that property tax reform can be accomplished in many ways without negatively affecting technical colleges. In fact, the legislature and Governor did subsequently deliver modest property tax relief using new revenue from a stronger economy. Creating such a general tax reduction or credit is more flexible, streamlined, and has far fewer “moving parts.” It could be accomplished in any number of ways. For example, the state could create an income tax credit for some portion of property taxes paid.

The consequences of outright eliminating technical college local funding are many and are serious. First and foremost, local responsiveness equals local control and local control is inseparable from local funding. The Legislature tends to exert increased authority over all forms of local government, especially as it increases investment in those local entities. It is not feasible to contemplate a state-funded technical college system without assuming the inevitability of a state-controlled system.

While this phenomenon may be represented in the extreme by the current AB 177, it is essential we accept that college responsiveness hangs in the balance of any proposal

to eliminate local funding. Losing local funding means losing local control means the end of our ability to assure local outcomes and responsiveness.

Another significant danger posed by a funding shift is the ability to sustain resources over time when funding decisions are made in state-level competition with all other state endeavors. Even if new state resources are initially dedicated to fully replace local levies, the decision to continue doing so will take place repeatedly in a high-stakes state budget process. Remember a guarantee of “2/3rd’s state funding” for K-12 education?

Technical College Funding and Governance in the Year Ahead – A New Advocacy Imperative

We do not oppose effective ways to reduce the tax burden on Wisconsinites. Doing so by changing the fundamental nature of technical college funding, however, is unnecessary and will inevitably erode or kill the colleges’ responsiveness. Across 2014, employers and business and industry counting on technical colleges must join us in reminding public policymakers, as they did at the October AB 177 hearing, that local funding and local control are not separable from technical college outcomes and responsiveness, period.

To this end, we are launching a year-long advocacy campaign to increase state public policy leaders’ support for and understanding of the colleges and WTCS. The campaign will create well-informed supporters who understand the colleges’ importance to employers, business and industry, and to the state’s residents. It primarily will harness and deliver the strong support we enjoy with employers, and business/industry and convey that support to lawmakers. The campaign’s outcomes (by December, 2014) will be: to assure state policymakers’ commitment to protect the colleges’ local funding and local control, and to increase support for long term state-level investment in the colleges. More information will be provided in the coming days and weeks as the campaign takes shape.

It is important to remember that technical colleges are highly valued by the Governor and his administration and by legislators in both houses and parties. Momentum toward tax reform is real, but the best ways to implement it are formative and fluid. The strongest support for removing technical college local funding at this time is found in the Assembly. It’s important to note that approximately 50% of all Assembly members are freshmen or sophomores first seated since 2011.

At this time, it’s important to ask any and every stakeholder employer and business/industry partner to consider communicating with local legislators and the Governor about the interdependent connection between our funding, our governance and our responsiveness to those business needs.

New Bill Would Further Restrict MATC Milwaukee Board Appointments

New – SB 476 – Limiting Eligibility to Serve on the MATC Milwaukee Board

This bill was introduced on January 9th by Senator Glenn Grothman (R-West Bend). It is co-sponsored by Senators Alberta Darling (R-River Hills), and Mary Lazich (R-New Berlin), and Assembly Representatives Joe Sanfelippo (R-West Allis), Steve Nass (R-Whitewater), Dave Craig (R-Big Bend), Rob Hutton (R-Brookfield), Dan Knodl (R-Germantown), and Duey Stroebel (R-Saukville). It was referred to the Senate Committee on Universities and Technical Colleges and is awaiting a hearing.

This bill requires that appointees to each of the existing five private “businessperson” positions on the MATC Milwaukee Board (described in more detail below) have at least two years experience “managing” a business.

The final new law passed in the previous 2-year legislative session, 2011 Act 286, fundamentally changed the MATC Milwaukee board appointing authority, the district’s board positions, and eligibility to serve on the board. The appointing authority was changed from being comprised of almost 30 constituent school board presidents to be just 4 county officials: the Milwaukee County Board Chair, Milwaukee County Executive, Ozaukee County Board Chair, and the Washington County Board Chair. The first 2 of 4 represent approximately 90% of the district population. The latter 2 of 4 represent approximately 10% of the district population.

Like other colleges, the MATC District Board continues to have an elected official and school district administrator position. However, the “at large” positions were reduced from 3 to 2. The traditional 2 “employer” and 2 “employee” positions were eliminated. In their place, 5 board seats were dedicated to “persons representing employers.” These are limited to be from private for-profit businesses, or from a non-profit healthcare entity, a credit union, or a cooperative association. All other forms of employment including persons in public employment or working for non-profits are excluded from the majority of five board seats. Likewise, any retired person or person not currently employed can not serve.

The 5 businessperson positions must be split between large (>100 employees) and small employers, and at least 2 of the 5 must represent manufacturing.

The new proposal, SB 476, further limits the 5 private employer board positions. In addition to current law about the type of employment eligible, each of the five could come only from among persons with 2 years or more experience managing an eligible business (for-profit, non-profit healthcare institution, credit union or coop). This would appear to make 2 incumbent board members ineligible to continue serving. One is a retired fire captain now working as a union representative and sales representative for a

large private dental concern. The other is a machine builder/repairer for a major private manufacturer. Both work in qualifying businesses but do not appear to meet the bill's new "management" requirement.

Analysis -- It's not hard to argue that we "want more" representation on local boards from various industries, employers, backgrounds, experiences, and a myriad of other factors across the great diversity of humanity residing in our districts. All good.

The issue here is who decides and why. We continue to believe that a well-balanced local appointing authority is in the best position to select representation without mandating in state law additional specific and locally-targeted limitations.

The 1911 law that established municipal industrial school boards that would become today's technical college local boards focused on balancing them to represent "employers and employees," along with a local school official. This model continues to work remarkably well after 102 years and is not in need of further restriction, particularly aimed at any one district.

Recommended position: Strongly oppose.

Bill text and history: <https://docs.legis.wisconsin.gov/2013/proposals/sb476>

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