

Stimulus Update

- *Compromise Reached on H.R. 1 -- The American Recovery and Reinvestment Act*
- *Final Bill Heads Back to House and Senate for Votes Today*
- *Compromise Details Still Emerging*
- *State Will Begin Budget Adjustment Next Week*
- *Much More to Come on Federal and State Issues!*

Stimulus Compromise Reached -- “Conference Report” Goes Back to Each House Today

The massive stimulus bill, H.R. 1, the American Recovery and Reinvestment Act, is headed for a final vote today in both the U.S. House and Senate after a conference committee reconciled differences between the two versions. The 1,073 page bill was released late last night and details are still not fully confirmed. The final bill includes important support for technical college students and for programs related to the colleges.

At mid-day Friday, there are rumors circulating Washington of problems with the number of Senate votes for the package. The loss of even one of three Republican votes believed to be in place for the package could jeopardize it. However, the following report assumes both houses will vote today on the compromise reached last night and will send that bill on to President Obama for a President’s Day signing.

Thanks to our district board members, college presidents and staff, who joined President Clancy and me on Capitol Hill earlier this week! Thanks also to the many WTCS Coalition groups and individuals who joined us by making contacts from Wisconsin in recent days. Your efforts made a huge difference.

Senate Bill Weakened or Eliminated Provisions Benefiting Colleges

The initial House bill provided more direct support for technical and community colleges, as well as for state and local governments, than did the Senate version. Wisconsin’s David Obey (D-Wausau), Chair of the House Committee on Appropriations, was H.R. 1’s lead architect. Representative Obey demonstrated once again his strong support and leadership on our behalf. As the Senate moved to cut education-targeted funds, another member of Wisconsin’s delegation, Representative Gwen Moore (D-Milwaukee), joined Oregon’s Representative David Wu in a “Dear Colleague” plea to save House provisions benefiting technical college students and dislocated workers. Our 2007 Legislator of the Year, Gwen Moore also proved once again her steadfast heroism for our students and

colleges. Our board members and presidents in Washington on Tuesday received copies of the Moore-Wu letter to take to Capitol Hill.

The Compromise Package (As We Know It)

In the final analysis, conference negotiators recovered some of the education-related funding and provisions lost in the Senate's first version. However, funds for higher education building projects ("infrastructure") were completely eliminated. With the assistance of ACCT, AACC, and the Office of House Speaker Nancy Pelosi, here is the best information available mid-day Friday as to the final compromise package:

Student Aid

The bill increases need-based Pell grants by \$15.6 billion over the next two years and increases the maximum Pell Grant award by \$500. Estimates vary, but it appears this will bring approximately \$284 million to Wisconsin students in all colleges and universities. The new appropriation will create an important benefit for many WTCS students. Raising the maximum award without new funding, as has occurred in the past, can hurt needy WTCS students who do not qualify for the maximum award. The new level of appropriation flowing to these awards should greatly assist WTCS students.

In addition to Pell grants, some \$200 million nationally will also be provided for increased support of student work-study jobs. This may equal some \$4 million for Wisconsin students at all institutions of higher education.

Tuition Tax Credit

The bill would provide a new \$2,500 tuition tax credit, with 40% refundability. This means that individuals and families that have incomes too low to benefit from current tax credits could still receive up to \$1,000 for tuition despite not owing any federal income tax.

Job Training

The bill would provide an additional \$3.95 billion in job training and related funding. Some \$2.95 billion will be distributed by formula funds to states through the Workforce Investment Act (WIA) system. Local Workforce Investment Boards can contract with technical colleges, other institutions of higher education and eligible training entities to provide training. WIA funds will support adult programs, dislocated worker programs, and youth programs, including a large new investment in summer jobs for youth. Youth services can also include programming to reconnect at-risk youth populations with school and work opportunities.

According to the Federal Funds Information for States (FFIS) organization, Wisconsin's share of WIA funds will total some \$36 million split as follows: \$5.3 million for adult job services, \$13.9 million for youth job services and \$16.7 million for dislocated worker services. While technical colleges are not exclusive service providers for adults and dislocated workers, we will be key partners with Workforce Boards in providing training under these programs.

The remaining job training funds include \$750 million nationally for competitive grants. Among these, \$500 million will be used for programs focused on projects that prepare individuals for careers in renewable energy and energy efficiency under the Green Jobs Act. Technical colleges could benefit greatly from these grants. An additional \$250 million will go to other job programs, with a priority for programs creating health-care sector jobs. Assuming Wisconsin competes successfully for 2% of these funds, some \$15 million (\$10 million for energy and \$5 million for health occupations) would come to the state.

Other Workforce Funding (Job Centers and Vocational Rehabilitation)

The bill also includes funding for training and employment services grants and for vocational rehabilitation programs. It appears that some \$7.5 million may come to Wisconsin for employment services such as operating local Job Centers. Vocational Rehabilitation funding of approximately \$9.5 million would come to Wisconsin to benefit programs providing employment training, education, and other services to disabled individuals.

Infrastructure Funds for Higher Education Eliminated

Dedicated funding for "shovel ready" projects in public colleges and universities was stripped from the package by the Senate and will not be in the final bill. The House had included funding for education infrastructure that would have brought \$317 million to Wisconsin for K-12 and higher education projects. While these funds were eliminated, general state "fiscal stabilization" funds can now be used for infrastructure projects. However, as described in the next section, the bill requires other uses first that will likely consume all stabilization funds without leaving funds for college and university infrastructure.

Fiscal Stabilization Funds for States

The bill provides \$53.6 billion for a State Fiscal Stabilization Fund to help states maintain state and local services, particularly for public K-12 education. Of this amount, some \$5.3 billion will go to the Department of Education and other entities for grant

programs not analyzed here. The remaining \$48.3 billion will go directly to states based on their school population and general population as follows:

States will be required to use 83% of these funds (approximately \$40 billion) to support K-12 education and higher education. This leaves 17% (\$8.2 billion) for general purposes including local and state government functions. For Wisconsin, FFIS estimates this will result in \$733 million for education and \$160 million for other general purposes.

Fiscal Stabilization Funds for WTCS Unlikely -- For the \$733 million education portion of this item, funding must first be used to restore state aid to K-12 school districts under the state's school funding formula. States must use funds to reach the higher funding level under the state formula for either last year or this year. This level would be required to be maintained for this year and the two following years, 2010-11 and 2011-12. Additionally, states would also be required to use these funds to allow for increases for K-12 education in the next two years driven by the "existing formula."

While it is still unclear exactly how this will affect Wisconsin, it appears that state law requiring "2/3rd's funding" of K-12 education will use most or all of these stabilization funds. If there are remaining education funds after meeting the state's K-12 needs, they must be used to restore state support to public institutions of higher education to the greater funding level of either last year or the current year. This is required only as is feasible given remaining stabilization funds, if any. Colleges and universities must use these funds for educational and general expenditures in such a way as to mitigate the need to raise tuition and fees, or for modernization, renovation, or repair of facilities that are primarily used for instruction, research, or student housing.

Because the WTCS has not been cut significantly from last year or current year state funding levels to date, these funds will not likely come to technical colleges.

Some portion of the non-education fiscal stabilization could be used for higher education. The general funding portion of fiscal stabilization (18% or \$8.2 billion) is estimated to bring from \$140 to \$160 million to Wisconsin. It is not yet clear how Wisconsin will allocate these funds. The federal bill allows them to be used for public safety and other government services, which may include education services and higher education modernization, renovation and repair activities. Public institutions of higher education receiving stabilization funds must use these funds for educational and general expenditures, and in such a way as to mitigate the need to raise tuition and fees, or for modernization, renovation, or repairs of facilities that are primarily used for instruction, research, or student housing.

State Budget Adjustment Looming

As details emerge on Federal stimulus, state lawmakers and the Governor have been working to close the large budget hole in funding for the year ending June 30, 2009. A package is expected to be introduced early next week and will be reported to you as soon

as possible. The Governor also still plans to address the Legislature on the 2009-11 biennium budget bill next week. Stay tuned!

(end of report)