

February 18, 2009

Grim 2009-2011 Budget Bill Introduced

- Cuts Proposed to Core WTCS Funding
- Important Flexibility Requests Approved
- Very Small Increase to Financial Aid Stands in Contrast to Major Increase for UW Students
- UW and Most of State Government Slated for Large Cuts

Governor Doyle last night introduced the 2009-2011 executive budget bill, AB 75. It will now be reviewed and analyzed prior to consideration by the Legislature's Joint Finance Committee (JFC). The JFC will receive detailed briefings on the 1,743 page bill over the next few weeks and will then hold a series of public hearings around the state. Technical college participation in these hearings will be critical to our ultimate budget outcomes. JFC will then begin weeks of action to re-write and adjust the bill page-by-page. The JFC hopes to complete its work in order to send its version to each house by late Spring. The bill dictates state funding and programs for the biennium beginning July 1, 2009 and ending June 30, 2011.

Please note that a recent report outlined the separate federal stimulus process and its potential effects on Wisconsin Technical Colleges. The separate "budget adjustment" bill, SB 62, was introduced yesterday and was summarized in a separate report. The following report covers only the first review of the 2009-2011 budget bill, AB 75, itself, and does not try to synthesize the interplay or overlap among the three initiatives.

The 2009-2011 budget bill was expected to make difficult cuts and difficult choices. It does not disappoint in these regards and shares significant pain deeply and broadly. Here is a basic summary of this very complex bill based on a first reading:

State Aid to WTCS Cut – "Next Generation" Initiatives Abandoned

\$2 Million Cut Annually from WTCS -- The budget bill makes permanent cuts to existing WTCS general aid funding of some \$2 million annually. It cuts WTCS general aid by \$500,000 in each year of the new biennium under a heading of "Government Efficiency

Measures” imposed on a wide range of state functions. It also imposes a larger across-the-board permanent cut of 1% to most state funding, including the WTCS. This will require unspecified cuts to a combination of general and categorical aid estimated at another \$1,432,200 annually. A similar cut is imposed on most agencies statewide.

This almost \$2 million annual permanent cut amounts to an estimated 1.4% of all current state support (general and categorical aid) for technical colleges each year.

In contrast, the UW System appears to be slated for some \$250 million in cuts over the biennium through Efficiency Measures and across-the-board cuts. These cuts are offset by some new funding and general budget adjustments. According to the *Milwaukee Journal Sentinel* this morning, the net effect will be an estimated \$174 million cut to the UW over the biennium.

Next Generation Workforce Requests Abandoned -- The bill rejects the entire WTCS request for “Next Generation Workforce” funding. This strategically-targeted funding would expand or protect college capacity in areas such as advanced manufacturing, green technology and renewable energy, health occupations and student success, including basic education studies. The \$13 million annual package would have been the first increase in state general aid since 2001.

The Next Generation package was supported by more than 2,000 letters to legislators and the Governor from business and industry and community leaders statewide. Every one of those letters was delivered to the Governor’s office prior to the budget bill’s development.

Minority Student Retention Grants Increase Rejected -- The WTCS request to increase funding for Minority Student Retention and Participation Grants was rejected. These are the institutional grants that fund college programming and staff supporting minority student success.

Important Flexibility Requests Included in Budget

The budget bill does include positive provisions requested across several areas for new technical college flexibility:

Capital Project Flexibility Approved -- As requested, the bill would increase district capital project authority from \$1 million to \$1.5 million annually without going to referendum.

Non-Resident Tuition Approved -- As requested, the bill would establish non-resident WTCS tuition at 150% of resident tuition. Non-resident tuition is currently set at full cost; beyond the market for almost any student to use existing capacity. Current law already protects Wisconsin residents’ priority for access before non-residents.

Workforce Advancement Training (WAT) Grants -- The bill includes a WTCS request to eliminate the set-aside among all WAT funds for small businesses. This set-aside was restrictive to the point of making the full use of funds difficult.

Fire Service Expenditure Authority Increase Approved -- As requested, the bill increases the WTCS's authority to expend insurance surcharges on local fire training from \$150,000 annually to \$231,600 annually. This has no state budget impact as funds come from fire insurance premiums.

Student Aid

WHEG Student Aid -- Once again state-level need-based financial aid would see a very small increase for technical college students. The bill would increase the Wisconsin Higher Education Grant (WHEG) appropriation for WTCS students by just .9% (nine-tenths of 1%) next year and 2.8% in 2010-11. In contrast, UW students would see a 15% increase next year in an attempt to hold harmless middle income students from rising UW tuition. The UW would be required to fund much of the increase with its own funds from auxiliary enterprises such as food services and other operations. However, significant new state dollars are also provided.

This is the latest in several budgets increasing student need-based aid much higher for UW students than for either WTCS or private college students. The WTCS requests pointed out that our students have a larger unmet need than other students.

Veterans Tuition -- The bill does not make any increase in funding to offset 100% tuition remissions for veterans at the WTCS and UW. Currently, the state returns approximately 22 cents on the dollar for this mandate. It appears that the state will also impose the 1% across-the-board cut to the existing remission funding.

The bill includes general language that promotes the use of federal veterans benefits before state benefits are tapped. The specific provision and its impact are as yet unknown.

Conclusion

A more detailed analysis will be sent as soon as possible and will attempt to identify the combined impact of stimulus initiatives, the budget adjustment bill and this 2009-11 budget bill.

Recent suggestions that it will be a difficult budget season pretty clearly underestimated the reality of the challenges we now face. We face rapidly growing enrollment, great sensitivity to further tuition increases, and flat or even falling property values affecting

the ability to increase tax levies locally. In this environment, the final budget outcomes we realize will have enormous impact on our ability to serve Wisconsin.

Any analysis or opinion in this report is solely that of the author, Paul Gabriel.

(end of report)