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## **Three Initiatives Shape Crucial State and Federal Support for Technical Colleges**

### ***Grim 2009-2011 Budget Bill Introduced***

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## ***Grim 2009-2011 Budget Bill Introduced***

Governor Doyle unveiled a challenging 2009-2011 executive budget bill on February 17<sup>th</sup>. Introduced as AB 75, it will next be considered by the Legislature's Joint Finance Committee (JFC) beginning with briefings the week of March 16<sup>th</sup> and public hearings in late March. Other than creating several new flexibility measures benefiting the colleges, it presents significant challenges for the WTCS and our students:

### **State Aid to WTCS Cut by \$2 Million Annually**

As introduced, AB 75 would make permanent cuts to existing WTCS state funding of some \$2 million annually. As described below, a similar cut will be imposed retroactively on our current year funding through SB 75, the budget adjustment bill.

The 2009-2011 budget bill 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. 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.

### **"Next Generation" Initiatives Abandoned**

The budget also 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 also rejected. These are the institutional grants that fund college programming and staff supporting minority student success. This funding will also be cut in the current year as part of the budget adjustment bill described below.

## **Small Student Aid Increase Dwarfed by UW Increases**

The bill includes a small increase to state need-based financial aid for technical college students. The bill would increase the Wisconsin Higher Education Grant (WHEG) appropriation for WTCS students by just .9% (nine-tenth's of 1%) next year and 2.0% in 2010-11. A total of \$709,000 would be added over the new biennium.

In contrast, UW students would see a 14.6% increase next year and 13.4% in 2010-11. The UW would be required to fund a significant portion of the increase with its own funds from auxiliary enterprises. However, significant new state dollars (approximately \$8 million) are also provided. In addition to the UW WHEG increase, a new appropriation would provide another \$12 million in state funding for UW System students who have sufficient resources to qualify for need-based WHEG grants.

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 budget request noted that WTCS students have the largest unmet financial need of all higher education students. Because the increases are to total funding, and not per student, enrollment trends also affect availability of aid. With WTCS enrollment climbing quickly and UW enrollment stable or, by one account, decreasing slightly this year, the budget proposal's disparity is magnified even further.

A history of state financial aid funding from 1996 through the present and 2009-11 as proposed in AB 75 follows on the next page.

## **Veterans Tuition Remission Funding Will Be Cut, Not Increased**

The bill does not make any increase in funding to offset 100% tuition remissions for veterans at the WTCS and UW. Currently, the state funds 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. Current state funding for remissions at the WTCS is \$1.09 million. Cutting this by 1% next year would leave the new funding level at \$1.07 million.

The WTCS had requested full funding to avoid passing this mandate on to non-veteran students and property tax levies. To fund the full mandate, the WTCS estimates it would need \$5.73 million in 2009-10 and \$6.64 million in 2010-11. This means the biennium shortfall under the proposed budget bill is \$10.23 million.

The bill does include 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.

## State Need-Based Financial Aid

Funding is in \$ million

Year	UW System		WTCS		Private Colleges	
	WHEG	% Increase	WHEG	% Increase	TG	% Increase
1996-97	\$14.3	11.8%	\$10.9	0.4%	\$16.1	n/a
1997-98	16.5	15.5	11.3	4.0	17.2	7.0%
1998-99	17.2	4.5	11.7	4.0	18.4	7.0
1999-00	18.9	9.6	12.5	6.0	19.7	7.0
2000-01	18.9	0.0	13.2	6.0	21.0	7.0
2001-02	19.8	4.5	13.6	3.3	21.6	2.5
2002-03	20.6	4.5	14.9	9.1	22.1	2.5
2003-04	27.2	31.8	14.9	0.0	22.1	0.0
2004-05	35.0	28.5	14.9	0.0	22.1	0.0
2005-06	37.1	6.0	15.8	6.0	23.4	6.0
2006-07	39.3	6.0	16.7	6.0	24.8	6.0
2007-08	50.0	27.3	17.1	2.5	25.5	2.5
2008-09	55.0	10.0	17.5	2.4	26.1	2.4
2009-10	63.0	14.6	17.7	1.0	26.3	1.0
2010-11	71.5	13.4	18.1	2.0	26.9	2.0 <sup>16</sup>

### Important Flexibility Requests Included in Budget

The budget bill does include positive provisions requested by the WTCS creating new flexibility for technical colleges:

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

Non-Resident Tuition Approved -- As requested, the bill establishes 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 -- 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.

## **Public Hearings Begin in late March**

The JFC will receive briefings on the 1,743 page bill over the week of March 16<sup>th</sup> and will then hold a series of public hearings around the state beginning as early as March 21<sup>st</sup>. No dates or locations have been finalized but the following hearing locations are being discussed in the Capitol: Racine, Western Milwaukee County, Eastern Dane County, Appleton-Green Bay, La Crosse and Eau Claire. A listening session with some JFC members may also be scheduled for Ashland.

The 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.

By any rational measure, this is an extremely difficult budget proposal for the technical colleges and our students. We will work to mitigate cuts and to find increases in order to preserve crucial access. This must be done in order to keep doors open at a time when Wisconsinites need us more than ever and are turning to us in record numbers. Such challenging times make increases in alternative (non-state) funding through property tax levies and student tuition as difficult, if not more difficult, than securing adequate state-level funding in the budget.

## ***Budget Adjustment Bill Signed Into Law***

A bill to narrow the state's immediate budget gap for the year ending June 30<sup>th</sup> and to deal with the flow of federal stimulus dollars to the state was signed just three days after its unveiling. The

“budget adjustment and state stimulus bill,” SB 62, was proposed by Governor Doyle on February 17<sup>th</sup>, passed both houses on the 18<sup>th</sup>, and was signed as 2009 Act 2 on February 20<sup>th</sup>.

SB 62 generates new state tax revenue, cuts state spending, and makes modest new investments in several programs including the technical colleges’ Workforce Advancement Training (WAT) Grants.

## Spending Cuts Will Hit WTCS

The bill cuts spending in several areas, primarily by requiring the state Department of Administration (DOA) to lapse or shift state appropriations of \$125 million over the remainder of this year (\$39 million) and the new biennium (\$86 million). Importantly, the bill itself does not enumerate the specific lapses except to exempt transportation and state employee trust funds, and to assure that at least \$500,000 will come from the Legislature itself. Instead, DOA will identify and make these lapses.

The current-year lapses will include \$1.8 million in cuts to existing technical college appropriations even though these funds have been allocated to districts and committed to staffing and programs. DOA previously announced an intention to cut 10% across a number of current year WTCS categorical grant funds as follows:

<b>Program</b>	<b>Appropriation (\$)</b>	<b>Cut</b>
School to Work for At-Risk Students	285,000	28,500
Occupational Competency (Faculty/Industry)	68,100	68,100
Minority Student Participation/Retention	589,000	58,900
Chauffeur (Truck Driver) Training	191,000	19,100
Driver Education	307,500	30,750
Faculty Development (Technology)	94,600	79,460
Supplemental Aid (Interdistrict)	1,432,500	143,250
Incentive Grants	6,483,100	648,310
Health Care Education Programs	5,450,000	545,000
Displaced Homemakers	813,400	81,340
Work-Based Learning	600,000	60,000
Truck Driver Training	616,000	61,600
	\$ 17,630,400	\$ 1,824,310

DOA could also make additional cuts to meet the bill's \$39 million target. At the time \$1.8 million in cuts was first proposed, DOA was believed to be looking for some \$25 million, not \$39 million as required by the final bill.

## **WTCS Workforce Advancement Training (WAT) Grants Increased!**

The budget adjustment bill also includes a one-time increase of \$1 million for WTCS Workforce Advancement Training Grants for the current year. These grants pass through the colleges to business and industry. They cover 75% of the cost of customized employee training to increase the client's worker productivity. SB 62 targets the new funds to advanced manufacturing skills with a priority for welding training.

While these funds are very welcome, the turnaround time is incredibly challenging as the funds will need to be used before June 30<sup>th</sup>. Also, WAT grants require a 25% business match. There is concern that businesses may have difficulty making the match in such a difficult economic environment. Finally, WAT grants train incumbent workers in a current job. They can not be used for displaced workers or for those seeking new occupations.

The bill also includes targeted training-related funds for a number of labor-based organizations and partnerships. Department of Commerce funding of \$2.6 million will be provided to the Wisconsin Regional Training Partnership/Building Industry Group Skilled Trades Employment Program, and to several labor organizations for "green" and alternative energy-related training for their members.

## ***Federal Stimulus Signed***

The massive federal stimulus bill, H.R. 1, the American Recovery and Reinvestment Act, was signed by President Obama on February 17<sup>th</sup>. The final bill includes important support for technical college students and for programs related to the colleges.

However, the final compromise reached with the Senate reduced significant funding for technical colleges included in the original bill by House Appropriations Committee Chair David Obey (7<sup>th</sup> WI). As the Senate moved to cut higher education funds, Representative Gwen Moore (4<sup>th</sup> WI) sent out a "Dear Colleague" plea to save House provisions benefiting technical college students and dislocated workers. Both Obey and Moore worked hard on our behalf, following in their longstanding records of support for technical colleges and our learners.

## **Student Aid**

The bill increases need-based Pell grants by \$15.6 billion and increases the maximum Pell Grant award by \$500. Estimates vary, but it appears this will bring between \$280 and \$315 million to Wisconsin students (across all Wisconsin 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.

## **Tuition Tax Credit**

The bill provides a new \$2,500 tuition tax credit with 40% refundability. Unlike current programs, it appears the credit will cover books and fees in addition to tuition. The refund provision means that individuals and families that have incomes too low to benefit from current tax credits could still receive up to \$1,000 despite not owing any federal income tax.

## **Job Training**

The stimulus bill provides 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 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.

## **Infrastructure Funds for Higher Education Eliminated**

Dedicated funding for “shovel ready” projects in public colleges and universities was stripped from the final package by the Senate. 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 below, the bill requires other uses first that will likely consume the majority of stabilization funds.

## **Fiscal Stabilization Funds Slated Mainly for K-12**

The stimulus bill provides for a State Fiscal Stabilization Fund to help states maintain state and local services, particularly for public K-12 education. Some \$48.3 billion will go directly to states. States will be required to use 83% of these funds to support K-12 education and higher education. This leaves 17% 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.

The stimulus bill requires education funding must first be used to restore any reduced state aid to K-12 school districts under the state’s school funding formula. It appears that AB 75, the 2009-2011 budget bill, commits all \$733 million of this funding to meet K-12 funding formula needs.

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 current year levels. While unlikely, this could be used to restore WTCS cuts in the budget adjustment bill (\$1.8 million) and 2009-2011 budget (\$2 million annually).

Some portion of the estimated \$140 to \$160 million in non-education fiscal stabilization funds for Wisconsin could be used for higher education infrastructure. 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.

## **Other Programs May Contain Relevant Funding**

The stimulus bill also contains provisions in areas such as weatherization of homes and public buildings, improving the nation’s energy “grid,” and a wide and complex variety of other federal and state programs. These could be used for technical college programming and, to a lesser extent, infrastructure projects. The WTCS staff has been working closely with the colleges to

identify opportunities and match projects with emerging priorities as stimulus funding becomes better known.

Technical colleges and the WTCS staff have been working closely with the state-level Office of Recovery and Reinvestment. WTCS President Dan Clancy, College Presidents Lee Rasch and John Clark and Paul Gabriel and Morna Foy met with the Governor's leadership for stimulus funding. We also continue to meet with legislative leaders and Morna Foy is active in weekly planning meetings for the stimulus leadership team.

(end of report)