



May 10, 2013

Joint Finance Committee (JFC) Takes Action Preserving and Improving Technical College Budget Provisions

- Governor's proposed \$5 million funding increase is preserved.
- Levy limit flexibility to count "net new growth" is preserved.
- Net new growth "wholly within" calculation problem fixed.
- New performance funding capped at 30%.
- Performance funding changes add new measures and flexibility.
- Block grant funding of categorical aid preserved and made more flexible.
- Nicolet College aid issue created by block grant is fixed.
- Move to expand capital project limit (from \$1.5 to \$2 million without referendum) fails.
- Changes pass that both modestly expand and restrict district debt/capital authority.
- Issues still pending future JFC action include core transfer credits (under the UW), financial aid (under Higher Educational Aids Board), veterans benefits (under several sections) and rehiring WRS annuitants (under Employee Trust Funds).

The legislature's key budget-writing Joint Finance Committee (JFC) voted late Thursday afternoon to make a number of adjustments to the Governor's proposed state budget (AB 40) affecting technical colleges for 2013-2015. JFC "executive action" is the process by which the legislature makes its primary changes to the Governor's budget bill agency-by-agency and topic-by-topic over several weeks.

The JFC action was largely positive and improves the budget bill for technical colleges. It made key corrections and "fixes," provided more flexibility for new performance funding and block grants, and preserved the Governor's proposed state aid increase and new levy flexibility.

While we also worked hard to increase capital projects authority from \$1.5 to \$2 million without requiring a referendum, that motion failed. Instead, smaller changes – both positive and more restrictive – were made to district debt authority.

Here is an initial summary of how the JFC changed budget provisions affecting technical colleges on May 9th:

Governor's \$5 Million General Aid Increase Preserved

The JFC agreed to maintain the Governor's proposed increase in general aid funding by \$5 million beginning July 1, 2014, the second year of the biennium. Aid will increase from about \$83.5 to \$88.5 million annually in the general aid/performance funding appropriation.

Two Democrat-led motions to significantly increase state support for technical colleges failed in the JFC on 4-12 party-line votes. Both motions were led by Representative Cory Mason (D-Racine). The first would have fully-funded the WTCS's entire \$60 million budget proposal to close the state's skills gap. The second would have increased aid by \$11 million as a way to shift proposed new funds for the controversial Wisconsin Economic Development Corporation to technical colleges.

Levy Freeze Flexibility Protected; "Wholly Within" Problem Fixed

Operating levies at technical colleges are currently frozen at 2010 dollar levels. The Governor's budget proposed eliminating that freeze and the longstanding 1.5 mill limit on operating levies, and replacing them with a new limit matching municipalities. Under the bill, college operating levies could not increase except to capture valuation changes due to "net new construction" growth.

The JFC maintained the Governor's core proposal but fixed a problem with how net new growth is calculated. Under the original proposal, net new growth was defined as "... equalized value due to the aggregate new construction, less improvements removed, in municipalities *wholly located in* the district between the previous year and the current year, as determined by the department of revenue." This excluded almost 5% of the state property from growth calculations because some 155 towns, villages and cities are not "wholly located in" one college district.

In a very positive move yesterday, the JFC voted unanimously to fix the "wholly within" problem as follows:

"Modify the Governor's recommendation to include all municipalities located in a technical college district in the calculation of net new construction for the valuation factor. Require the Department of Revenue to apportion the value of net new construction in a split municipality proportionately between the affected technical college districts, based on the percentage of the municipality's equalized value that is located in each district."

This assures all property will be counted for net new growth and is a major accomplishment in the budget process.

Performance Based Funding Capped, Adjusted, Made More Flexible

On a unanimous 16-0 vote, the JFC passed a very positive omnibus motion by Senator Sheila Harsdorf (R-River Falls). This motion preserves the Governor's performance based funding model and proposed factors, but caps its impact and adds to the performance factors and to our flexibility.

The motion modified the Governor's recommendations as follows:

- Cap the shift of state aid from the current formula to the new performance formula at 30%. The performance formula would still apply to 10% of state general aid beginning in 2014-15, and will increase by 10% annually. However, performance funding will be capped in 2017-18 when it reaches 30% of general aid. The Governor had proposed that performance funding would increase to a full 100% (effectively eliminating the current general aid formula) within six years.
- Provide that the WTCS, in developing its plan for performance funding, use the three past fiscal years of data for formula factors, rather than only the previous fiscal year as provided under the original bill. This improves stability and predictability.
- Provide that, in addition to the proposed six performance factors recommended by the Governor, three additional factors are added for performance to recognize important district and WTCS functions and our broad mission:
 1. The number of adults served by basic education courses, adult high school, or English language learning courses, courses that combine basic skills and occupational training as a means of expediting basic skills remediation, and the success rate of adults completing such courses.
 2. Participation in statewide or regional collaboration or efficiency initiatives.
 3. Training or other services provided to special populations or demographic groups that can be considered unique to each district.
- The motion also corrected an overly-limited definition of high school "dual enrollment" in one of the original factors proposed by the Governor.
- Finally, the JFC switched state review of the WTCS performance funding plan from the Department of Administration to the JFC itself under "passive review." Passive review allows the WTCS plan to go into effect unless the JFC objects (rather than requiring its affirmative approval). This shift also gives the WTCS three additional months to develop and report on its plan (switching the reporting deadline from December 31, 2013, to March 31, 2014, for implementation of performance funding beginning on July 1, 2014).

“Block Granting” of Existing Categorical Aid Adjusted to Increase Flexibility

The JFC unanimously adopted another positive omnibus motion made by Senator Alberta Darling (R-River Hills) to adjust the Governor’s proposal making existing categorical aid purposes and funding into a “block grant” to districts.

The Governor proposed protecting total categorical funding totaling approximately \$22 million annually across more than 15 existing categorical aid purposes, but placed the funding into one block appropriation to be used more flexibly. The JFC action approved the Governor's recommendation with the following changes:

- Fixed a problem that excluded certain Nicolet Area Technical College FTEs from the general aid formula in return for categorical aid (the guaranteed aid appropriation was removed by the block grant). All Nicolet FTEs will now be counted, consistent with all other districts.
- Required that the WTCS, “to the extent practicable, ensure that grants are awarded to each geographic region of the state represented by the technical college districts.”
- Added the Legislature to the WTCS annual reporting requirements concerning how the grants are awarded. The original bill required the WTCS report to the Department of Administration only.
- Eliminated several set asides in statute that affected the flow of categorical aid but that were not addressed in the original bill.
- Restored apprenticeship curriculum as an allowable purpose for block grants that would have been eliminated under the bill.

These are all positive changes improving flexibility and correcting some concerns created by how the original bill was drafted.

Capital Projects Limit Maintained at \$1.5 Million; Small Changes Improve and Further Restrict Debt Authority

Technical colleges may expend up to \$1.5 million per campus per 2-year period for capital projects without approval by districtwide referendum. The WTCS originally requested that this authority be expanded from \$1.5 to \$3 million. This was not supported in the Governor’s budget or by the JFC. In the days prior to yesterday’s JFC session, members of both parties and both houses serving on JFC suggested support for an increase from \$1.5 to \$2 million. While there was significant support in advance, the co-sponsors did not offer the motion in the face of a vote that could have fragmented majority JFC members.

After it was clear that there was not a coalition to pass this effort and the motion would not be made by majority Republican JFC members, Senator Jennifer Shilling (D-La Crosse) asked for a vote on this issue on her own motion. That motion failed on a 4-12 party-line vote.

The JFC did pass two motions affecting debt authority. First, it passed a motion that gives a small amount of new flexibility to all districts, but is aimed at assuring a specific project at Northcentral Technical College proceeds. The motion stated:

“ ... Increase the current \$1.5 million threshold for referendum approval of technical college building projects ... to \$2.5 million for certain projects. Provide that the \$2.5 million limit would apply only for those projects for which the district board will receive an equal amount of federal matching funds. ... If a district board makes expenditures in excess of \$1.5 million for a single project under this provision, then the \$1.5 million limit on expenditures for that project over the following two-year period would be reduced by an amount equal to the excess amount that was spent on the project.”

This effectively allows a district to “borrow” future “1.5” authority to cover additional costs needed to match federal funds up to \$2.5 million for one project.

In advance of and during the JFC session, there were signs of interest in significantly curtailing technical college debt authority. This appeared aimed at MATC Milwaukee and the practice, used by several technical colleges in the past, to issue debt to fund future post-retiree benefit costs. Ultimately, Senator Glenn Grothman (R-West Bend) moved the following, which passed on a 12-4 party line vote.

“Specify that for the purposes of the limit governing the operating levy applicable to WTCS districts, operating levy would include payments on promissory notes issued after the bill’s effective date, unless the note would be issued to finance assets or projects with a useful life in excess of one year.”

This effectively makes any debt issued to pay for assets or projects with a life of less than one year subject to the operating levy cap.

JFC Action Still Pending on Other Issues Affecting Technical Colleges

Thursday’s votes affected only budget issues found specifically under WTCS statutes and budget papers. Several other issues remain for future consideration including:

- 30-Credit General Education Core Created for Universal Transfer between Technical Colleges and UW (under the UW).
- Student Financial Aid (under the Higher Educational Aids Board).
- Expanding Veterans’ Tuition Remissions (under several agencies).
- Limiting the Ability to Hire Certain Retirees (WRS Annuitants) (under Employee Trust Funds).

Updates on these and other key budget developments will be reported in the near future.

Yesterday’s accomplishments were possible thanks to a great team effort statewide.

WTCS President Morna Foy and Vice President Jim Zylstra have worked tirelessly making Capitol visits and spent the day with the JFC yesterday. FVTC President Susan May, Blackhawk President Tom Eckert, and Gateway VP Stephanie Sklba were also in

the Capitol with us yesterday. Arena Strategy Group's Mark Graul and Sean Stephenson have been instrumental in making Capitol visits and in assisting day in and out including all day yesterday. MATC Milwaukee's advocacy team led by HWZ's Jason Bauknecht along with Tim Elverman and Greg Hubbard, have also been making visits and working with JFC. Every president, along with district and WTCS Board members, have assisted to date. A number of presidents made calls and enlisted business leader support on short notice in the past few days.

Many others contributed, and the wide range of improvements made in this budget to date have been a great joint effort. Your help will continue to be needed as we proceed and your efforts and the results will be reported as the process continues. Thank you.

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