



April 25, 2014

## **Special Report: Technical College Responsiveness Threatened by Attacks on Local Governance and Funding**

This report summarizes three key 2013 and 2014 state public policy initiatives affecting technical college funding and governance:

- *AB 177, the 2013 bill to end technical college governance and local funding in lieu of a state-controlled system (page 1).*
- *The January, 2014, Special Session*
  - *Act 145 (SB 1) providing property tax relief and shifting technical colleges from primarily local funding to primarily state funding (page 2).*
  - *Act 139 (AB 2) "Blueprint for Prosperity" grants providing one-time funding to the Department of Workforce Development to reduce technical college wait lists (page 4).*
- *The Joint Legislative Council "Special Committee on the Review of Wisconsin Technical College System Funding and Governance" (page 4).*
- *Analysis and advocacy (page 5).*

### **AB 177 – Referendum to Eliminate Local Technical College Governance, Facilities, Tax Funding and Employees in Lieu of a State-Controlled System and to Increase the State Sales Tax**

2013 bill AB 177 died in committee as the session adjourned in March, 2014. It was introduced by Representative Garey Bies (R-Sister Bay) and was co-sponsored by Representatives John Nygren (R-Marinette) and Tom Larson (R-Colfax). It had no Senate co-sponsors. It received a public hearing in October, 2013.

The bill would have placed a binding referendum on the Spring, 2014, statewide ballot. The referendum, if supported, would have triggered a series of changes in Spring, 2015. These changes would have:

- eliminated all technical college local governance, control and the districts' status as local governments;
- eliminated all local property tax funding and local borrowing/issuance of debt;
- shifted all technical college employees from being local district employees to become state employees; and
- transferred all college operations, facilities, assets, contracts, debt and liabilities to the state.

The bill expressly stated that, upon implementation, “ ... a district’s board is only responsible for advising the district director, who is appointed by the WTCS Board.”

The proposal would also increase the state sales tax by 20%, from \$.05 to .06. Representative Bies’ co-sponsorship memo stated in part that: “Under this bill, ... the tech college system would be funded by a one-cent increase in the state sales and use tax.” However, the bill did not dedicate any new sales tax revenue (or any other state funds) to the new college system to replace lost property tax revenue. Funding decisions would be left exclusively to future legislatures.

At the hearing, Representative Bies testified that he supported the bill as a solution to “voc ed institutes” of the past having evolved to become full-fledged colleges in a statewide system no longer appropriately funded by property taxes. He also asserted that technical college district boards are an example of “taxation without representation” that are “not responsive” and, according to some of his constituents, “ignore citizens.”

Representative Bies asserted that the bill’s changes would not reduce local responsiveness because a local college board would still advise the local (state employed) president, who would then “come to Madison” to make the case for resources to meet local needs.

Mr. Bies has announced his retirement from the Assembly and intention to run for Secretary of State. Representatives Nygren and Larson jointly requested creation of the Legislative Study Committee described below.

## **Historic Technical College Funding Shift -- 2013 Wisconsin Act 145 (Special Session SB 1)**

In the January, 2014, State of the State Address, Governor Walker announced major tax changes including property tax reform to be implemented by dramatically reducing technical college levies and replacing that revenue dollar-for-dollar with \$406 million annually in new state funding. The proposal passed largely on party lines with Republicans in favor and was signed into law as Act 145.

The \$406 million is part of estimated new revenues being collected in the current biennium (through June 30, 2015). The funding will be used to “buy down” the operational mill rate by 0.89 at each district. Because each district’s mill rate will be equal, the impact on property taxes will be the same (\$89 per \$100,000 of property value) everywhere in the state.

Act 145 includes a mechanism to restore levy authority to the extent state funding is reduced in subsequent years. This is accomplished by a new revenue cap, which is the sum of a district’s operating levy plus its share of the \$406 million. Should the state amount later be reduced, local levy authority expands up to the full revenue cap amount.

Districts will otherwise retain their existing authority for the following:

- Local board governance and the district’s status as a local government and employer;
- Issuance of debt and existing triggers for referendum approval of capital projects;
- Increasing the operating levy up to the amount based on the district’s net new construction growth under current law;
- Ability to seek districtwide referendum approval to levy for operations above the net new growth cap.

The bill’s fiscal impact is staggering and results in the colleges being primarily state, not locally, funded for the first time in their 102-year history. The following treats the “big 3” funding sources – local funding, state funding, and student tuition – as 100% (and excludes federal funds, auxiliary enterprises, gifts, grants, etc.):

	<u>Now</u>	<u>With \$406 million shift</u>
Local funding	68 %	33 %
State funding	9 %	44 %
Student tuition	23 %	23 %
	<hr/> 100 %	<hr/> 100 %

Technical college boards have long supported being less dependent on local property taxes and better supported by state aid. This bill more than accomplishes the type of shift envisioned and provides Wisconsinites with important property tax reform.

We have argued, however, that tax relief can be delivered through a general credit rather than by targeting one form of local government among various local taxing authorities. A major shift from local state funding begs the question of shifting college governance and control.

## **“Blueprint for Prosperity” Grants to Reduce Wait Lists at Technical Colleges (via DWD) -- 2013 Wisconsin Act 139 (Special Session AB 2)**

The second of two January Special Session bills, passed and signed as Act 139, created the Blueprint for Prosperity grant program, a one-time investment of \$35.4 million to be administered through the Department of Workforce Development (DWD) for the following purposes:

- Grants to technical colleges to reduce waiting lists for enrollment in programs and courses in high-demand fields as determined by DWD.
- Grants for collaborative projects among technical colleges, school districts and businesses to provide high school students with industry-recognized certifications in high-demand fields, as determined by DWD.
- Grants to public and private organizations or for DWD-provided services to enhance employment opportunities for persons with disabilities.
- As needed, funding for administrative costs related to the above grants and, if funds remain after the above purposes are funded, for other existing DWD-based workforce programs.

While the amount for each purpose is not specified in the bill, DWD has worked with the WTCS and colleges and appears poised to target the majority of funds to wait list reduction. This creates an enormous opportunity to expand college capacity on a one-time basis. After a March meeting with DWD leadership, districts applied for wait list reduction funds in mid-April. Funding decisions are pending.

Act 139 represents a major positive investment in expanding technical college capacity. It will require extremely quick implementation to effectively use the one-time funding boost. The nature and purpose of this funding also creates some challenges. Both DWD and the colleges are focused on ways to address high employer demand for skilled employees and existing college wait lists. Wait lists are used as tools that do not always perfectly reflect employer demand. Also, a one-time infusion of resources is limited in impact if it expands just one portion of the much longer skills pipeline over a short period of time.

## **Joint Legislative Council Special Committee on the Review of Wisconsin Technical College System Funding and Governance**

In late March, the Legislature approved a *“Joint Legislative Council Special Committee on the Review of Wisconsin Technical College System Funding and Governance”* with the following scope:

“The Special Committee is directed to review the current governance model of the Wisconsin Technical College System (WTCS) in the interest of transferring governance responsibilities of local district boards to the state ... and examine the current funding model for the WTCS with a preference toward reassigning current local property tax revenue to a broader state tax source.”

The committee was proposed by Representatives Nygren and Larson; the two remaining Assembly co-sponsors of AB 177 (upon Representative Bies' retirement).

Legislative Council study committees are comprised of legislators (typically 3-4) and citizens (typically 6-8) appointed based on applications. Representative Nygren will chair the committee. Senator Sheila Harsdorf (R-River Falls) will serve as vice chair. Public applications are due by April 28<sup>th</sup> and committee members will then be selected by the Joint Legislative Council's leaders comprised of Senator Luther Olsen (R-Ripon) and Representative Joan Ballweg (R-Markesan).

We expect the committee members to be named in late May. Committees then meet several times over the summer and tend to complete their work and make recommendations sometime in the fall.

This committee's recommendations may lead directly to legislation or to influence state budget provisions in the January, 2015, legislative session. Legislative Council committees are expected to make recommendations and to translate those recommendations into proposed legislation. Should the committee recommend governance and funding changes, such initiatives will have significant credibility and momentum going into the new session in January, 2015. Should the committee not recommend such changes, a separate bill or budget amendment would still be possible, but will have much less momentum.

## **Analysis and Advocacy**

For 102 years, technical colleges have been inherently local. Local governance and funding creates local “ownership.” Each technical college's responsiveness to local employers, residents, and economic development needs is inseparable from that local ownership. The core reason Wisconsin technical colleges are unsurpassed in terms of performance outcomes, from graduate job placement to employer satisfaction, is their partnership with local employers. We believe that employers can't drive the training and education outcomes they need from the local technical college if this inherently local system is taken over and centralized in Madison.

While Wisconsin technical colleges have been locally governed and funded since 1911, they are already highly accountable to the state through the Legislature and executive branch, and coordinated through the state Wisconsin Technical College System (WTCS) Board and staff.

**Local district boards are driven by local responsiveness** to employers, by business/K-12/community and economic development partnerships, and by the input of local program advisory committees steering every program at every college. Local governing boards balance local district needs with stewardship of resources. Local college board members are carefully selected through a public, merit-based process to represent the district's "world of work."

The "continuation schools" that became today's technical colleges were intentionally designed to be governed by boards representing local employers, employees, and a K-12 school leader. An "elected official" member and at-large members were added over time. Board members are selected in public hearings by elected local county and school board leaders based on applications, interviews, and a plan of representation. College board members are public officials who follow open meeting, ethics and conflict of interest rules applicable to all public officials.

**A state system does not lend itself to rapid local responsiveness** because so many aspects of the colleges' nimbleness are interwoven with local funding and governance. These include hiring and funding faculty positions, starting, stopping and modifying programs, making capital improvements for facilities, technology and equipment, often in partnership with local businesses, and many others. Today, many major employers are closely connected to the college through these aspects of local funding and governance. The colleges can change extremely quickly as the business does in large measure BECAUSE OF these ongoing and close local relationships.

Severing the colleges' ability to adapt quickly along with local business needs (e.g., by shifting facilities, personnel and programming decisions to Madison and a future state budget process) will dramatically erode college effectiveness for employers, job growth and economic development.

**Technical colleges have always supported better balanced funding** between state, local and student funding. Act 145's funding shift benefits taxpayers and recognizes the colleges' longstanding call for a better funding balance. However, it also opens up the colleges to a complete state takeover of remaining local funding and governance at the expense of local responsiveness.

**Technical colleges believe protecting the remaining portion of local funding is essential** to local responsiveness. While we support additional tax relief, it should be accomplished without further erosion of colleges' local funding.

## How you can help: Support for Local Governance, Funding and Responsiveness

Any Wisconsin employer, organization or resident that values local technical college responsiveness as a function of local funding and governance is invited to weigh in on these issues with legislators. Please write to your local State Representative and Senator and copy Legislative Council Study Chair Representative John Nygren and Vice Chair Senator Sheila Harsdorf. A “Who are my legislators?” tool and contact information for all legislators is available at [www.legis.wisconsin.gov](http://www.legis.wisconsin.gov). The optimal time to deliver letters is in June and July, 2014. Please also be sure to cc your local technical college president and bcc Paul Gabriel at [pgabriel@districtboards.org](mailto:pgabriel@districtboards.org).

Describe why you and/or your business or organization believe in protecting local control and the remainder of local technical college funding. Here is an example template for employers:

*Dear (local state representative and senator),*

*Our business (describe) counts on our local \_\_\_\_\_ technical college to respond to our needs. The college responds to us effectively (examples of any/all business connections with college such as hiring graduates, utilizing customized training, sharing expertise, contributing to advisory committees, helping with technology and facilities).*

*These connections and activities are essential to our business success. The college’s responsiveness to us is a function of local college control and decisionmaking and a local college funding stream. We do not support eliminating the college’s remaining local funding or local control because doing so will hurt the college’s responsiveness to our needs.*

*We also support the college as a partner (identify donations, advisory committees, etc.). We would not be involved or nearly as involved in these activities if technical colleges were no longer locally governed and funded.*

*Additional property tax reform is very welcome but should not focus specifically on remaining technical college funding. Most importantly, tax reform should not result in the creation of a state-controlled technical college system.*

*Sincerely,*

*cc each letter to Special Legislative Study Committee Chair John Nygren and Vice Chair Sheila Harsdorf; cc local college president, bcc Paul Gabriel*

(end of report)

*This report was prepared by Paul Gabriel for the Wisconsin Technical College District Boards Association. Any analysis or opinion is exclusively the author’s.  
[pgabriel@districtboards.org](mailto:pgabriel@districtboards.org) 608 266-9430*