



July 13, 2015

## **Budget Update: Legislature Passes and Governor Signs 2015-17 Budget, now 2015 Act 55**

- *Joint Finance completes its work early July 3.*
- *Senate passes budget late July 7.*
- *Assembly concurs late next day, sending bill to Governor's desk.*
- *Governor signs 2015 Act 55 into law on July 12.*
- *Barring Legislative veto overrides, these provisions constitute the final budget act.*

### **WTCS Goes "4-for-4" in the Legislature**

- *"Shared Services" – Thanks to a Senate amendment exempting WTCS, staff and functions remain intact (page 2).*
- *Tuition Freeze -- Proposed tuition freeze eliminated from budget (page 3).*
- *Performance Funding -- Performance funding capped at 30%, but vetoed once again (page 4).*
- *Health insurance Risk Sharing -- Provision allowing sharing of risk for health insurance is approved (page 5).*

### **Wide Range of Additional Issues Affecting Technical Colleges Addressed in Budget**

- *MATC Milwaukee Board Composition -- Motion passes to further restrict MATC Milwaukee Board composition (page 6).*
- *New Veterans Program Funding -- Motion passes providing WTCS one-time \$500,000 grant to support veterans' success (page 6).*
- *Continuing Education Credits for Teachers (page 6).*
- *Gateway Charter Authority – Gateway given direct "STEM" and occupational-related charter school authority (page 7).*
- *WEDC Grant to NTC Vetoed – WEDC funds to Northcentral Technical College Vetoed (page 7).*
- *Course Options Eliminated – then Restored with Modifications (page 8).*
- *Student Insurance Opt-Out -- Student accident insurance opt-out passes (page 8).*

- *Home School Students on WTCS Campuses -- Exception for home-school students under age 16 attending technical colleges passes (page 8).*
- *Alternative Teacher Licensing – Alternative for licensing teachers with industry experience/without a bachelor’s degree passes (page 8).*
- *High School Technical Education Grants Preserved – High School grants for students graduating with industry certifications preserved (page 9).*
- *Prevailing Wage -- Laws Repealed for Local Projects (page 9).*
- *Property Tax Bill Information – Additional information about levies required on tax bills (page 10).*
- *Student Financial Aid -- Financial Aid funding held flat, as expected (page 10).*
- *New WTCS Funding -- Democrats’ motions for major new technical college funding fail (page 10).*
- *Conclusion (page 11).*

## **Budget Moves Quickly After Joint Finance Completes Work**

Following a month-long stalemate over transportation funding, a Milwaukee Bucks arena deal, and changes to prevailing wage laws, the Joint Finance Committee (JFC) finally completed its work on AB 21 and SB 21, the 2015-2017 state budget bills. A compromise was reached to reduce bonding and delay highway projects across the state, while action on prevailing wage and the Milwaukee Bucks arena deal was delayed, as JFC sent its version of the budget to each house for consideration on July 3.

The Senate then surprised observers and leapfrogged the Assembly, which had been expected to vote first, passing its amended version July 7, by a vote of 18-15, including a repeal of prevailing wage requirements for local public works projects. The following day, the Assembly concurred in the Senate’s version by a vote of 52-46, thus avoiding a Conference Committee. The Governor took only four days to hand down his line-item vetoes, signing the bill into law as Act 55 on July 12. The resulting state budget act establishes state revenues, expenditures and programs for the two-year biennium that began July 1, 2015.

As described below, the WTCS realized each of its four top budget priorities, although one of those is affected by the Governor’s partial veto.

### **Top Priority 1 Accomplished: Senate Pulls WTCS from Department of Administration Shared Services Study, Protecting WTCS State Agency Staff and Functions**

The Governor’s budget bill proposed eliminating certain staff and state agency functions, including IT, HR, payroll, budget and finance functions, in sixteen state agencies including the WTCS (state System office). It would have eliminated 9 WTCS staff, almost a quarter of the agency’s state-funded workforce. All WTCS IT

infrastructure and other affected services would have shifted to the centralized Department of Administration (DOA), requiring the WTCS to purchase these services from DOA at an increased cost of at least \$800,000 annually, and without providing the full range of services now provided by internal staff.

Including the WTCS in this proposal would have eroded flexibility, efficiency and responsiveness at the WTCS. The WTCS has a well-earned reputation for good governance, rapid responsiveness and providing accurate data. The need for all of these is increasing in an era of accountability and outcomes-based funding

After weeks of intense advocacy on both sides of this issue, we were able to secure in Finance a delay on this crucial decision until March 2016. Prior to the vote, several JFC members supported our position to completely remove the WTCS from the “Shared Services” proposal. However, JFC passed an “omnibus” motion on May 27<sup>th</sup> on a 12-4 party-line vote to delete the Governor’s original proposal and, instead, direct DOA to further study the issue. The DOA will have to return to JFC with a comprehensive plan for modification or approval, no later than March 1, 2016, for implementation July 1, 2016. Deleting the original proposal for WTCS, in favor of more study, was a very positive first step.

However, an even more positive second step came in the form of Senate Amendment 2 to the Senate Substitute Amendment. Under Amendment 2, the WTCS - and only the WTCS - was removed from the list of agencies to be studied for inclusion in a Shared Services consolidation. The floor amendment included a number of other provisions, including the prevailing wage repeal, and due to controversy surrounding that issue, two Republican Senators voted against the amendment, along with all Senate Democrats. Nonetheless, Amendment 2 to the bill passed 17-16 and is now part of 2015 Act 55.

## **Top Priority 2 Accomplished: Tuition Freeze Eliminated**

As the first day of budget action began on April 15<sup>th</sup>, the JFC co-chairs announced that several items would be considered “non-fiscal policy,” removed from the bill without further debate. This included the Governor’s proposed permanent freeze on WTCS tuition in high-demand programs.

The Governor proposed freezing WTCS tuition beginning in 2015-16 for “high demand” programs, as determined by the Department of Workforce Development (DWD). Among many problems with this proposal, DWD was to determine these programs based on point-in-time job openings using its new “Labor Market Information System” (LMIS), which is not yet operational.

This proposal would have stripped important longstanding authority from the WTCS Board and shifted it to DWD. Further, high demand programs identified by the LMIS would reflect past job listings, rather than anticipated future openings. The high-demand determination would be statewide, while program demand varies widely by district.

Finally, technical colleges do not currently have the ability to charge and track differential tuition, so the proposal would have imposed significant administrative costs.

Crucially, Wisconsin Student Government (WSG) opposed the tuition freeze and took that message very ably to legislators. Student leaders argued that tuition is best set by the WTCS Board, which carefully balances access and capacity with affordability. Students noted that they have traditionally been included in the WTCS Board's tuition development workgroup. Student leaders' voices made an exceptional and positive difference on this budget issue and its outcome.

### **Top Priority 3: Outcomes-Based Funding Capped by the Legislature, then Vetoed**

On April 17, JFC voted 16-0 for motion #93 to cap outcomes-based funding at 30% of general state aid in 2016-17, another win on the merits of partial outcomes funding. However, the Governor has vetoed the cap once again.

The Governor proposed shifting 100% of general aid funding to outcomes-based funding in both the 2013-15 and 2015-17 state budget bills. In both the 2013 and 2015 processes, JFC amended the budget to cap the shift at 30%. Both times, the Governor vetoed that permanent cap, leaving the long-term formula in limbo.

A 30% cap (with 70% of aid remaining under the traditional formula) incentivizes excellence without forcing non-performance-related funding cliffs at some colleges. As the percentage rises, inevitably, district behavior will defensively protect its base funding. The outcomes-based formula does not capture all aspects of the technical college mission. These activities will be among the first at risk as the stakes increase. Data demonstrates that major funding losses and gains, unrelated to changes in performance, will occur as the percentage climbs, simply due to the factors currently used under the statutory formula.

Unfortunately, the Governor has once again thwarted the Legislature's determination that 30% is an appropriate limit. The veto message reads in part:

"The state should reassess whether 30 percent is an appropriate performance funding level as outcomes related to formula factors become increasingly available. I support a transition from the general aid formula to a performance-based formula. This formula should be based upon each technical college district's performance on key state priorities to be achieved by increasing the percentage of state aid distributed through the performance funding formula each year and correspondingly decreasing the percentage of state aid distributed through the general aid formula."

Due to the veto, the outcomes-based formula percentage is set to revert to zero in 2017-18, barring further legislative action. While it is disappointing that the formula is left with an uncertain future, we will continue to work to support outcomes-based funding at a level that is meaningful and appropriate, but not at a level that causes funding volatility unrelated to outcomes and performance, which we believe would harm college responsiveness and ability to meet the full scope of their mission.

#### New 10<sup>th</sup> Outcomes Criterion Passes; JFC Requests Outcomes Funding Report:

JFC also adopted the Governor's proposal to add a 10<sup>th</sup> criterion based on the number of credits awarded for "prior learning," described as "relevant educational experience or training not obtained through an institution of higher education, including skills training received during military service." This addition will allow a district to select 7 of 10, rather than 7 of 9, criteria. We supported this proposal.

Finally, JFC requested the WTCS prepare a report on "possible changes to the performance-based funding formula and additional performance criteria that could be included." However, the Governor also vetoed this requirement, noting that the WTCS is required under current law to review and request desired changes to the formula with each biennial budget submission.

#### **Top Priority 4 Accomplished: Authorized Risk-Sharing Across College Districts for Health Insurance Coverage Preserved in Bill**

The JFC maintained the Governor's proposal adding technical colleges to a list of local governments authorized to share/pool risk in providing employee health insurance. This success represented another of our top priorities.

Six technical colleges are launching a new health insurance consortium effective July 1, 2015, including sharing "stop loss" coverage. Because state law already included permissive language authorizing towns, villages, cities and counties (but not technical colleges) to share risk for health coverage, we requested this language in the budget to create efficiencies for taxpayers. JFC's decision to leave this provision in the budget (no action was required) was much appreciated.

#### **Mixed Bag of Additional JFC Actions Affect Technical Colleges**

In addition to reviewing and adjusting provisions of the Governor's budget bill, JFC members add their own ideas and rank-and-file legislators offer motions through JFC-member "budget buddies." Several issues, both negative and positive, were considered during JFC deliberations on the technical colleges and on other agencies as follows:

## **MATC Milwaukee Board Composition Further Restricted**

On a motion by Senator Alberta Darling (R-River Hills) and Representative Dale Kooyenga (R-Brookfield), JFC further restricted eligibility to serve on the MATC-Milwaukee District Board.

In 2011, the Legislature removed 2 employee, 2 employer and 1 of 3 additional member positions from the Milwaukee board and required they be filled instead by 5 private businesspersons. A series of additional restrictions were imposed, including: (a) 3 come from businesses of 15 or more employees; (b) 2 come from businesses of 100 or more employees; and (c) 2 come from manufacturing businesses.

The JFC's new restriction requires that a person appointed to any of the 5 businessperson positions must also have at least 2 years experience managing a business of at least 15 employees, or at least 2 years experience managing the finances or hiring of personnel of a business with at least 100 employees.

This was an unnecessary further intrusion on local control and board composition. The 2014-15 Milwaukee Board already includes 5 top businesspersons: the CEO of Allis Roller, a manufacturing company; the retired vice president ManpowerGroup, a Fortune 500 company; the Chairman/CEO of DAAR Engineering, Inc.; a machine builder at Master Lock Company; and, the Principal/Owner of Trefoil Group, Inc.

Motion #95 passed on a 12-4 party-line vote on April 17.

## **One-Time Funding of \$500,000 Provided to WTCS in Support of Veterans' Jobs**

JFC's action on the Department of Veterans Affairs budget included shifting \$500,000 on a one-time basis to the WTCS to create a veterans services program. The WTCS must match the new \$500,000 with its own funds. Funding will be distributed on a competitive basis for a wide range of services including: recruiting, training and graduating veterans in high-demand fields, specialized services for veterans such as career pathway planning and obtaining credit for prior learning, collaboration projects with employers, and providing internships, mentoring, job coaching, and other services.

This positive and unexpected action reflects the Legislature's increased awareness of the WTCS's commitment to serving veterans. While these are one-time and matched funds, they can create a foundation of positive outcomes, upon which the WTCS and colleges can build future program and funding requests. Motion #98 passed on a 16-0 vote on April 17.

## **Continuing Education Requirements to Renew a Teaching License**

Finally, the DPI omnibus motion included a provision to require DPI to accept credits earned at any accredited institution of higher education, if continuing education credits are required to renew a teaching license.

Under teacher licensure rules, continuing education credits required for license renewal must be earned from a 4-year institution of higher education, to the exclusion of technical colleges. This provision gives teachers additional options to earn continuing education credits most relevant to their areas of instruction, as part of the overall 'professional development plan' required by current rules, without affecting existing partnerships between technical colleges and 4-year institutions

This motion (#457) passed 12-4 on a party-line vote on May 19

### **Gateway Given Charter School Authority**

As part of the JFC's omnibus motion on the UW System, the JFC provided that Gateway Technical College is permitted to authorize independent charter high schools focusing on science, technology, engineering and math (STEM), or on occupational education and training. Any such charter school may enroll high school students living in the GTC district or the adjacent counties. GTC is authorized to employ instructional staff to teach at a charter school created under this authority. New charter authority was also provided to the UW System and tribal colleges in this motion. Motion #521 passed on a 12-4 party-line vote on May 29.

Motion #999, the Joint Finance wrap-up motion passed July 3, modified this language to specify that Gateway could authorize a charter school located only in the Gateway district, and not in counties adjacent to the district, as the original motion stated.

### **WEDC Grant to Northcentral Technical College Vetoed**

As part of a large omnibus motion affecting several agencies, the JFC provided \$250,000 on a one-time basis to the Wisconsin Economic Development Corporation (WEDC) and directed the WEDC award the funds to Northcentral Technical College to be used "...to purchase stoves, ovens and other equipment for its Culinary Arts program and business incubator facilities." Motion #494 passed on a 12-4 party-line vote on May 21.

However, the Governor vetoed several WEDC grants to organizations specified under the bill, stating:

"I am vetoing this section because I object to reducing the flexibility of the Wisconsin Economic Development Corporation to make its own determinations as to which organizations should be given assistance. One of the purposes of the corporation was to have maximum flexibility in funding the most promising economic development opportunities. The funds that would have been used for these specified grants will instead remain with the corporation to be awarded for eligible purposes at its discretion."

## **Course Options Program Deleted—then Restored**

As part of the massive DPI omnibus motion affecting public K-12 education, JFC eliminated the problematic “Course Options” program created in the 2013-15 budget bill. The motion also restored the “Part-time Open Enrollment” program eliminated in 2013. Course Options is distinct from the longstanding Youth Options program, which continues. Course Options permits K-12 students to enroll in up to two courses at any institution of higher education but was more administratively cumbersome and limited tuition payments by school districts to 50% of regular tuition. Families could not be charged under the program.

Motion #999 restored Course Options, but specified that an institution of higher education could charge tuition and fees to a pupil or his or her parents, if the pupil receives postsecondary credit for the course. The amount charged must be negotiated between the postsecondary institution and the school district. The new tuition policy is a positive change in the program, as we have maintained that the mandated 50% tuition maximum might adversely affect dual enrollment programs. We believe that legislative awareness has been raised regarding the administrative issues with Course Options, another positive outcome that we can continue to work on going forward.

## **Student Accident Insurance Fees Made Refundable if Other Insurance is in Place**

The JFC required that any student assessed for accident insurance as a condition of enrollment (typically \$6 to \$10 per semester as part of student fees) may request and receive a refund for such coverage if they demonstrate they already have equivalent coverage in place. Colleges require accident insurance to protect in case a student is injured in the course of instruction, at a clinical site, or in transit to and from clinical or similar experiences. Motion #94 passed on a 16-0 vote on April 17.

## **Home-Schooled Students Under the Age of 16 on College Campuses During the Regular School Day**

The JFC created an exception in longstanding state law that prohibits individuals under the age of 16 from attending a technical college class on a college campus during the “regular school day.” Currently, students under 16 may carry a course online, at their regular school, or on a campus at times other than during regular school hours. The permission of both the parent and district is also required to enroll any person under 16. Under the motion, a home-schooled student may attend a technical college course on a college campus during the regular school day, provided that the college and the student’s parents approve. Motion #24 passed 16-0, on April 17.

## **Alternative Teacher Licensing in Technical Subjects for Persons With Industry Experience**

The DPI omnibus motion also included a provision allowing individuals without a bachelor’s degree to teach technical education subjects in Wisconsin public schools.



DPI would be required to develop a point system rating for candidates and grant an initial teacher's license to individuals who have enough points based on industry experience in trade or technical fields, industry certification, apprenticeship experience, and similar experience. A person demonstrating enough points could be hired without a bachelor's degree, and the hiring school district would establish a curriculum for the new teacher to follow to round out his/her qualifications. Motion #457 passed 12-4 on a party-line vote on May 19.

### **Preserve High School Career and Technical Education Grants to School Districts (but at DWD rather than DPI)**

The Governor's bill proposed ending the new program passed in the 2013-15 budget to provide school districts a \$1,000 grant from DPI for each student who graduates high school having completed an industry-based certification credential in certain fields. DPI was funded at up to \$3,000,000 annually for this purpose.

Instead, the Governor proposed transferring the program and funding from DPI to the Department of Workforce Development (DWD). DWD would make general grants (not per-graduate) supporting industry-based training in high schools.

The JFC voted to move the program and funding from DPI to DWD, but preserved the original award mechanism to provide \$1,000 awards to school districts for each high school graduate having earned industry-based certification. Motion #730 passed on a 15-1 vote on May 7.

### **Prevailing Wage Laws Repealed for Local Projects**

After weeks of debate and intense lobbying in the Capitol and in the media regarding compensation levels for contractors and tradespeople on taxpayer-funded capital projects, Senate Amendment 2 to the budget bill added a compromise provision. This provision repeals the state's prevailing wage law as it applies to local projects of public works, including technical college capital projects.

The federal Davis-Bacon Act, which defines a federal prevailing wage rate, will continue to apply to state projects and those funded with federal dollars. The Department of Workforce Development will no longer administer the prevailing wage, but that agency's remaining duties under the law are transferred to the Department of Administration. The Department of Transportation will administer the state prevailing wage law as it applies to state highway projects.

The budget act specifies that these provisions will take effect on January 1, 2017, and will apply to any request for bids issued, or any contracts entered into, on or after that date.

## **Additional Information Required on Property Tax Bills**

The JFC voted to require that property tax bills specifically list any tax amount generated by a successful referendum to exceed technical college, school district, county/town/municipal revenue limits. The amount levied on the property and date through which the levy increase will be in effect must be listed. This motion appears to apply only to referenda to exceed operating revenue limits and not to approve debt/capital projects. Motion #379 passed on a 12-4 party-line vote on May 14.

## **Need-Based Financial Aid Funding Remains Steady as Proposed; Motions to Increase Funding Fail**

The Governor proposed “flat funding” of Wisconsin Grants (formerly Wisconsin Higher Education Grants, “WHEG”) for Technical College, UW-System, private non-profit college/university and tribal college students. The JFC agreed and financial aid will remain funded at current levels for 2015-2017.

Two motions failed on party-line 4-12 votes. One (Motion #268) would have provided “Sum Sufficient” (full funding) for all WTCS Wisconsin Grant student aid. This would have increased state funding (currently about \$19 million annually) by an additional \$38 million or more annually, essentially tripling state funding. The second motion (Motion #267) would have fully-funded the state mandate that technical colleges waive tuition for most military veterans and many family members of veterans.

No action was required to maintain current aid funding. Motions #267 and #268 failed to pass on 4-12 party-line votes on May 12.

## **Democrats’ Motions to Provide Grants to Technical Colleges Fails**

JFC Democrat members introduced a motion to provide \$49 million in new funding to the WTCS. The motion repeated the provisions of the pending “Workforce Growth Grants to Technical Colleges” bills detailed in the current “Bills of Interest to Technical Colleges” document online. This motion would have provided \$20 million annually for grants to districts to close the skills gap. It would also fund state budget items requested by the WTCS, but not included in the Governor’s budget bill (additional state aid and funds targeted to veterans services, entrepreneurship and dual enrollment). Motion #70 failed on a 4-12 party-line vote on April 17.

Similarly, Senate Democrats proposed Amendment 9 to SB 21 during floor debate on the budget bill July 7, which mirrored the Joint Finance motion and pending legislation. Senate Amendment 9 was tabled by a vote of 14-19 along party lines.

## Conclusion

While some of the stand-alone motions passed into the bill were surprises and are not supported by this association, it is truly exceptional that we realized all four of our top budget priorities in the Legislature. This success is a reflection of just how respected the WTCS is by the Legislature – both parties and both houses – and how closely the Legislature counts on its input to inform their actions.

It is also important to note that neither the Governor nor the JFC sought to change the statewide nature of local board governance or local funding authority in the budget bill. With the important exception of further intrusion on MATC-Milwaukee Board composition, the budget bill could have addressed other aspects of local funding and governance raised over the past year.

The totality of accomplishments realized are due in large part to the dedicated and coordinated effort of all 16 colleges, the WTCS System office and Board, WSG and our exceptional student leaders, our faculty and staff, the Wisconsin Association of Career and Technical Education, and the Boards Association. The importance of hundreds of business leaders, chambers of commerce and economic development groups supporting WTCS as part of the Legislative Council Committee process throughout Summer 2014 cannot be overstated.

In particular, WTCS President Morna Foy and Executive Vice President Jim Zylstra have spent countless hours in the Capitol since before the commencement of budget drafting. The college presidents have been instrumental, directly contacting key legislators at critical moments, and through support of supplemental lobbying resources provided through Mark Graul and Sean Stephenson of Arena Strategy Group. MATC Milwaukee has brought in lobbying resources as a seamless part of the statewide team. Many statewide functional groups, especially the Statewide Marketing Consortium, have assisted greatly.

As for the District Boards Association itself, a number of board members have made effective advocacy contacts to bring local goodwill and locally tailored messaging to Capitol decisionmaking. In an exceptionally challenging budget environment, we came together, built our plan together, stuck together, and positively influenced every issue we could together. While there are some outcomes we do not support, going “4-for-4” on our top priorities is worth celebrating. It is also worth reflecting on how we did it and the recipe for doing so again in the future.

*This report was prepared for members of the Wisconsin Technical College District Boards Association by Layla Merrifield. Any analysis or opinion in this report is exclusively the author's.*