



April 24, 2015

Three of Four Technical College Priorities are Secured in Initial Budget Voting; Action Pending on Fourth

- *Proposed Tuition Freeze Eliminated from Budget (page 2)!*
- *Performance Funding Capped at 30% (page 3)!*
- *Provision Allowing Sharing of Risk for Health Insurance is Preserved (page 4)!*

- *Action is Delayed on “Shared Services” Project Eliminating WTCS Staff and Functions (page 4).*

- *Additional “Stand Alone” Budget Motions Considered with Both Negative and Positive Consequences:*
 - *Motion Passes to Further Restrict MATC Milwaukee Board Composition (page 6).*
 - *Motion Passes Providing WTCS 1-time Grant of \$500,000 to Support Veterans’ Success (page 7).*
 - *Student Accident Insurance Opt-Out Passes (page 7).*
 - *Exception for Home-School Students Under Age 16 Attending Technical Colleges Passes (page 8).*
 - *Motion for Major New College Funding Fails (page 8).*

- *Financial Aid Funding and Other Budget Issues Pending (page 8).*

The Joint Finance Committee (JFC) began “executive action” last week on AB 21 and SB 21, the 2015-17 State Budget Bill. The 16-member JFC – 6 Republicans and 2 Democrats from each house – considers hundreds of budget changes to the Governor’s budget bill. This process typically occurs from mid-April through late-May, and began for this budget cycle on April 15th. While the bill still goes from the JFC to each house for tweaks and final passage, the JFC’s process is the legislature’s main review and adjustment of the bill and the primary opportunity to change or preserve the Governor’s proposals.

As described below, the WTCS tuition freeze was eliminated in preliminary JFC action as the first day of budget action began. Other core WTCS issues were then considered on Friday, April 17th, the second day of budget action. Several issues are still pending and remain unscheduled, as described below.

Top Priority Accomplished: Tuition Freeze Eliminated!

As the first day of budget action began, the JFC co-chairs announced that 14 items would be considered “non-fiscal policy” to be removed from the bill without further debate. These items included the Governor’s proposed permanent freeze on WTCS tuition in high demand programs. Removing this provision was one of our 4 top priorities, and this action represents an important victory in the budget process. Throughout the process, we have been advised that this provision was very likely to pass and become law because it supported affordability in higher education.

It should be noted that Wisconsin Student Government (WSG) opposed the tuition freeze, and took that message very ably to the Capitol and to budget hearings. Student leaders argued that tuition is best set by the WTCS Board in carefully balancing access and capacity with affordability. Students noted that they have traditionally been included in the WTCS Board’s tuition development workgroup. The voice of WTCS student leaders made an exceptional and positive difference on this budget issue and its outcome.

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 unfilled jobs statewide at a certain past point in time annually using its new “Labor Market Information System” (LMIS). The DWD’s new LMIS system is not yet operational.

Further, high demand programs identified by the LMIS would not necessarily match with programs in which more applicants are needed. The high-demand determination would be statewide, while program demand varies widely by district. The decisions would not affect cost of attending in any way based on students’ financial circumstances.

Significantly, technical colleges do not have the ability to charge and track differential tuition. Doing so would impose significant administrative (new and ongoing) costs. Students in just one course could pay a wide range of tuition rates based on which program, if any, they were in and in which year they joined the program.

Importantly, this proposal also would have stripped important longstanding authority from the WTCS Board and shifted it to DWD.

It was never clear how such a freeze was tailored to meet important public policy objectives. If the objective was to enhance college access and affordability, or to fill unfilled program capacity, a smaller investment in need-based financial aid would likely better help students who are marginally unable to enroll, or are at risk of leaving school for financial reasons.

Because the proposal was removed from the budget, it can't easily be put back in. There is a slight chance that a freeze could be revisited later, but this is unlikely, at least based on years of budget process history. We will monitor the issue throughout the process, and will pay particular attention to the debate and action surrounding continuing the UW System tuition freeze.

Top Priority Accomplished: Performance Based Funding Capped at 30%!

On a motion by the co-chairs, Senator Alberta Darling (R-River Hills) and Representative John Nygren (R-Marinette), the JFC voted 16-0 to permanently cap performance funding once it reaches 30% of state aid in 2017-18. This was an important victory and represented another of our top budget priorities.

The Governor proposed shifting 100% of general aid funding to performance-based funding in both the 2013-15 and 2015-17 state budget bills. In the 2013 process, the JFC amended the budget to cap the shift at 30%. That change was vetoed by Governor Walker, leaving the long-term formula in limbo. The restated 100% proposal in the 12015 -17 budget was not unexpected, but was disappointing.

A 30% cap (with 70% of aid remaining under the traditional formula) incentivizes excellence without risking significant funding losers at the expense of winners. Each percentage increase to performance places more at stake for districts but with greater volatility. Inevitably, district behavior will defensively protect its base funding. Districts do many things within their mission not accounted for by the outcomes-based formula. These activities will be among the first at risk as the stakes increase. Defensible data demonstrates that major funding losses and gains unrelated to meaningful performance will occur as the percentage climbs.

The new 30% cap is likely subject to veto once again. Wisconsin's governors have the most powerful veto pen in the land and can strike numbers and words in any appropriations bill. We will continue to work hard to support performance funding that is meaningful, but not at a level that causes harm and funding volatility unrelated to outcomes and performance.

New 10th Performance Criterion Passes; JFC Requests Performance Funding Report From WTCS

The JFC also adopted the Governor's proposal to add a 10th criterion to performance funding based on the number of credits awarded for "prior learning." A budget note describes prior learning 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, performance criteria. We supported this proposal.

Finally, the JFC added language requesting the WTCS prepare a report for the JFC on "possible changes to the performance-based funding formula and additional performance criteria that could be included."

Additional Priority Accomplished: Authorized Risk-Sharing Across College Districts for Health Insurance Coverage Preserved in Bill!

The JFC took no action on the Governor's budget 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 four top priorities.

Six technical colleges are scheduled to launch a new health 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 sought the Governor's support to include this language in the budget as an efficiency measure. They agreed.

The JFC's decision to leave this provision in the budget was very positive. It should be noted that this provision was listed as one of the 49 "non-fiscal policy" items to be considered for wholesale removal from the bill. The fact that the JFC removed the tuition freeze but left this provision in the bill is extremely positive.

Top Priority Still Pending: Provision Eliminating WTCS State Agency Staff and Functions Awaits Future Action

The Governor's budget proposes eliminating certain staff and state agency functions, including IT, HR, and budget and finance functions, in several state agencies including the WTCS (state system office). This would require eliminating approximately 9 WTCS staff, almost ¼ of the agency's state-funded staff. It would shift WTCS IT and other affected services to the centralized Department of Administration (DOA), and require the WTCS to purchase these services from DOA instead of providing them internally.

This is a bad idea financially and functionally. Eliminating this provision is our top remaining priority. The JFC has elected to act upon the shared services proposal for all agencies at once rather than agency-by-agency. This action is not yet scheduled.

While the WTCS may appear to be a small state agency, it provides complex statewide systems serving the colleges, hundreds of thousands of students, and many others. For example, the WTCS's dedicated IT network (which it built, owns and operates) links all of the colleges with more than 700 password-authorized users statewide running data for complex student, financial reporting, grant, performance and accountability operations.

The WTCS estimates the cost to purchase necessary server space and data usage (at current DOA rates and current WTCS usage levels) will be \$835,000 annually above existing costs. No funding is provided to pay for these costs.

Furthermore, the staff slated for elimination provides many other services that can't be provided by DOA at any cost. The lost staff members provide sophisticated consulting partnerships as higher education experts. They design and operate ever-changing systems as required by the colleges, state law, the federal government, and other partners.

The affected WTCS staff also wears many hats across functions. They handle a wide range of services that will not transfer to the DOA. As one among dozens of examples, the eliminated HR staff position provides on-site EEOC compliance visits at districts in addition to handling job recruitment. The WTCS would still be required to provide these services, but without any staff to do so. This loss of functionality is in addition to the \$835,000 or more annually in new IT costs.

Finally, it's ironic and highly disappointing to think that the same budget bill proposing new flexibility for the UW System (in the name of efficiency) would erode flexibility, efficiency and responsiveness at the WTCS. The WTCS has a well-earned reputation for rapid responsiveness and accurate data. The need for both is increasing in an era of accountability and outcomes-based funding.

Other affected agencies also oppose the shared service project, and the DOA has already issued an "*errata*" statement changing the budget proposal. This change would delay implementing the pilot for one year and would allow the DOA to select which agencies it will require to participate.

This is still unacceptable. The fact that WTCS would be required to pay close to \$1 million annually to DOA above current costs makes the WTCS more, not less, attractive to be included. Unfortunately, the budget bill is not written so as to account in any way for these new WTCS costs or the loss of WTCS staff functionality.

This issue continues to represent our top priority in the 2015-17 budget bill. While there appears to be little love among majority legislators for this budget provision, it

represents a mechanism (a bad mechanism but a mechanism nevertheless) to accomplish a small net reduction in state employees. Eliminating a budget provision that appears to reduce the number of state employees is always likely to be a challenge.

A Mixed Bag of Additional JFC Motions Brings Both Negative and Positive Consequences

In addition to reviewing and adjusting provisions of the Governor's budget bill, JFC members add their own provisions and rank-and-file legislators offer provisions through JFC-member "budget buddies." These motions are typically presented with little advance warning. Several motions, with both negative and positive consequences to technical colleges, were offered on Friday, April 17:

MATC Milwaukee Board Composition Further Restricted

On a motion by Senator Alberta Darling (R-River Hills) and Representative Dale Kooyenga (R-Brookfield) and passed on a 12-4 party-line vote, the JFC further restricted eligibility to serve on the MATC Milwaukee District Board. This motion repeated language introduced but not passed last session by former Senator Glenn Grothman as SB 476.

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

The adopted motion 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 MATC Milwaukee Board already includes 5 businesspersons in the following positions:

The CEO of Allis Roller, a manufacturing company;
A 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.

Based on the Boards Association's informal analysis, this change will make one current (2014-15) businessperson board member, the Master Lock machine builder/repairer, ineligible to continue serving when her current term expires. In JFC debate, members opposing the motion noted that the provision eliminates entrepreneurs and many other highly representative district citizens from serving in the majority of board seats. We opposed the original bill, the follow-up bill and this motion.

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

The JFC's April 17th action on the Department of Veterans Affairs budget included shifting \$500,000 on a one-time basis to the WTCS in the budget's second year, 2016-17, to create a veterans job grant program. The WTCS must match the new \$500,000 with an additional \$500,000. The funds will be distributed by the WTCS to districts competitively for a wide range of services including: recruiting, training and graduating veterans in high-demand fields, specialized services for vets 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 understanding of the WTCS's commitment to serving veterans. While these are one-time and matched funds, they are very positive and can create results upon which the WTCS and colleges can build future program and funding requests.

Additional Motions:

It's not uncommon for the JFC to change state law through "stand-alone" budget motions. These may be based on an individual constituent issue or request. They may also reflect a chance to air bills otherwise unlikely to pass during the current session.

Student Fees for Accident Insurance Made Refundable if Other Insurance is in Place

This motion requires that any student who is 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. Accident insurance is required to protect in case a student is injured in the course of instruction, at a clinical site, or in transit to and from a clinical or similar experience.

This motion passed 16-0.

Home School Students Under the Age of 16 on College Campuses During the Regular School Day

This motion creates 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.” 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 age 16.

Under this motion, a student who is home schooled may attend a technical college course on a college campus during the regular school day. This motion does not change current law requiring that the college and student’s parents both approve.

This motion passed 16-0.

Grants to Technical Colleges Motion Fails

The JFC’s four Democrat members introduced a motion to provide \$49 million in new funding to the WTCS. The motion repeated the provisions of the pending AB 86, “Workforce Growth Grants to Technical Colleges,” which is 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).

This motion failed on a 4-12 party-line vote.

Future Budget Action

As reported above, action on the top-priority shared services pilot to eliminate WTCS staff and functions has not yet been scheduled. Additional action is pending that can affect technical colleges directly or indirectly, including student financial aid under the Higher Educational Aids Board (HEAB), and items under the Department of Public Instruction (DPI) and the UW System, among others. Additional requests for advocacy assistance and additional budget reports will be provided as these issues are scheduled.

The accomplishments realized to date were due, in large part, to the dedicated and coordinated effort of all 16 colleges, the WTCS staff and Board, WSG and our exceptional student leaders, our faculty and staff, The Wisconsin Association of Career and Technical Education (WACTE), and the Boards Association. The input of hundreds of business leaders, chambers of commerce and economic development groups throughout Summer 2014, also can't be overestimated.

In particular, WTCS President Morna Foy, Executive Vice President Jim Zylstra, and Policy Advisor Layla Merrifield have spent countless hours in the Capitol since before the commencement of budget drafting. The college presidents have assisted ably, both directly with key legislators, 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 too.

The budget process continues with much yet to be determined. The fate of the pending shared services issue alone could significantly affect our efficiency, accountability and outcomes. The challenges of keeping the 30% performance funding cap in place and eliminating or mitigating the unnecessary MATC board governance change will also be significant.

This is, however, an important time to recognize just how much working in unity of purpose across varied colleges and interests is the bedrock of our accomplishments for taxpayers, our students and all stakeholders. A cliché it is, but we really do hang together or separately.

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