



## **Joint Finance Testimony on the 2007-09 State Budget**

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Wisconsin Technical College System  
March 22, 2007

Senator Decker, Representative Rhoades, Members of the Joint Finance Committee, I am Dan Clancy, System President. Thank you for this opportunity to comment on the 2007-09 state budget.

The Governor's 2007-09 budget proposal affirms the key role of the WTCS in Wisconsin's economic vitality. The budget provisions support the WTCS' ongoing efforts to foster economic development by educating and training more individuals who can quickly enter Wisconsin's workforce; by encouraging veterans to complete their interrupted educational plans or to upgrade their job skills; and by helping incumbent workers gain the skills they need to keep their companies competitive and improve their career potential. There are four issues I'd like to address today:

- training for incumbent workers;
- the state and local funding partnership;
- ensuring access to higher education for all Wisconsin citizens; and
- support for benefits to veterans and their dependents for their service to Wisconsin.

### Incumbent Worker Training

The WTCS shares the Governor's commitment to addressing the need for incumbent worker training and supports targeting grant dollars for this purpose. The Workforce Advancement Training (WAT) grants were established in the last state budget with bipartisan support and have demonstrated impressive success in helping Wisconsin businesses, particularly manufacturers, improve their operations and in helping Wisconsin workers achieve their individual career goals. During the program's first two years, nearly 12,000 workers will be trained at over 100 companies throughout Wisconsin. When surveyed about their experience with the WAT grant program, 100 percent of participating employers indicated the training improved employee skills. Employers also gave positive responses on other key indicators: 89 percent reported an improved work environment; 74 percent reported cost savings to their operations; and 48 percent reported reductions in employee turnover. The additional \$6 million in funding provided in SB 40 for the WAT grant program will enable the Technical College System to leverage state, local and private resources to serve an additional 267 Wisconsin businesses and nearly 36,000 incumbent workers.

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### State and Local Funding Partnership

The primary fiscal challenge facing the Wisconsin Technical College System is maintaining state-of-the-art facilities and affordable career and technical education programs to meet the changing needs of students and employers in an environment of increasing costs and limited resources. Historically, responsibility for funding the WTCS has been shared by the state, students, and local taxpayers. For almost twenty-five years, the state has relied upon the tax-base equalizing general aid formula to ensure that an adequate revenue base is available to fund technical education programs across the state. In recent years, stagnant state support for the WTCS has resulted in the funding of a disproportionate share of the System's budget with property tax revenue. In addition, for the first time ever, students are funding a greater share of WTCS costs than is the state.

The WTCS fully recognizes the fiscal constraints facing state decision makers in the 2007-09 biennium. And we are all aware that the technical college property tax levies have steadily increased. The WTCS dependence on property taxes is being driven by significant increases in service demand and inflationary costs, without a corresponding increase in state support. Each year, technical colleges reallocate and refocus spending priorities to reflect the changing needs of their communities. Each year, new programs are added and existing programs are modified or dropped in response to employer demand for WTCS graduates. Despite reallocation, WTCS costs continue to rise as a result of:

- Increased enrollments due to economic restructuring and the continuing demand for skilled workers. Since the last increase in general aid in 2000-01, postsecondary FTE enrollments have increased by 18.4%;
- Increased enrollments of under-prepared students and the need to serve an increasingly diverse population with complex learning needs;
- Unanticipated increases in energy costs due to changing world markets; and
- Needed investments in technology and faculty development to ensure that WTCS occupational programming continues to provide students with the cutting edge skills and competencies needed by employers.

Despite enrollment growth and rising costs, WTCS general state aid increased by less than 1% annually from 1994-95 to 2000-01. Since 2001, there has been no increase in general state aid. Over the last six years the colleges have made difficult budget reallocation decisions; reassessed and discontinued programs; and cut or controlled costs through cooperative projects, joint purchasing and shared programming. The WTCS has maintained the quality of its programs and facilities and industry-experienced faculty who are willing to work flexible schedules by reallocating resources and good fiscal management. When adjusted for inflation, taxpayer support per FTE student has remained relatively constant since 2001.

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The declining state commitment for funding the WTCS during this time period, however, has resulted in:

- Greater potential for discrepancies in colleges' capacity to respond to local needs;
- A less stable funding environment for the WTCS;
- Discontent among property taxpayers; and
- Growing concern about the accessibility and affordability of postsecondary technical education.

Typically, the WTCS tracks state aid as a share of the System's major revenue sources. These sources include property taxes, tuition and student fees, and state aids. In the mid-1990s, state aids accounted for 24% of major revenues. State aid is expected to provide only about 14.5% of the major revenues for the System in 2006-07, as compared to 19.5% in 2001. With no increase in state aid over the next biennium, the state's share will drop even further.

The negative effects of stagnant state support for the System have reached a critical point. So much so, that all of our stakeholders, including our student government organization, have made additional state aid investments in the System a budget priority. To ensure the availability of critical technical education and training programs, the WTCS requested an additional \$31.9 million in general aid funding over the biennium.

### Ensuring Access

The growing burden on students to support the System is most difficult for those who face a financial struggle to pursue higher education. While extremely pleased that the Governor is proposing the first increase in financial aid for WTCS minority students in five years, the System sought significantly more resources for student financial aid programs, particularly the Wisconsin Higher Education Grants (WHEG). Significant numbers of WTCS students have limited financial resources and the demand for WHEG grant dollars has exceeded available funding for several years. The WHEG program has been closed to new WTCS applicants prior to the end of the fall semester because of a lack of necessary funding. As a result, qualified students are not served. Over 50% of WTCS students' financial need (cost of attendance minus expected contribution of student) remains unmet. The average unmet financial need of technical college students is greater than for any other college and university students in Wisconsin.

To provide access to high demand technical programs and ensure the availability of skilled workers for high-paying, growing industry sectors, we are asking the Legislature to increase the proposed funding for the Technical Colleges' WHEG grant appropriation in the 2007-09 budget. To address the immediate need for additional student financial aid, the WTCS respectfully requests that the Legislature provide WHEG funding above the 2.5% annual increase provided in Senate Bill 40. The WTCS requested an 8.1% annual increase in WHEG funding, or a total of \$4.2 million over the biennium.

### Veterans' Education Benefits

The WTCS supports the proposed reimbursement program for tuition remissions to veterans and their dependents, which will be administered by the Higher Educational Aids Board. These tuition remissions were established in the 2005-07 biennial budget as part of a broader package of veterans' benefits. Although the WTCS supports providing veterans with tuition remissions in recognition of their sacrifice and service to the state, the current lack of state support for this program has put the burden of financing these remissions on non-veteran students and property taxpayers.

You may recall, when an expansion of the remission benefit was approved a year ago, WTCS student veterans raised concerns that their classmates and property taxpayers not be asked to bear the full cost of providing this benefit. At that time, the Legislature and the Governor agreed this program should be given funding consideration during the 2007-09 budget process. However, the funding proposed in the Governor's budget to reimburse colleges and universities for additional tuition remissions provided to veterans and their dependents is insufficient.

The number of veterans and veterans' dependents requesting tuition remissions is significantly higher than previously projected. The number and value of remissions provided has doubled in the first two years of the program. Our current projection of the cost to technical colleges of tuition remissions for veterans and their dependents in the 2007-09 biennium is \$9.2 million. The Governor has proposed appropriating \$11.6 million over the biennium to reimburse remissions provided by both the WTCS and the University of Wisconsin System. To ensure that the cost of providing this important benefit is appropriately borne by all Wisconsin citizens, the WTCS asks the Legislature to increase the proposed appropriation to provide reimbursements for tuition remissions for veterans and their dependents.

The Committee has a difficult task sorting through the many worthy priorities for limited state resources. On behalf of WTCS, I am here today to ask you to make an investment in technical and career education that will generate tangible benefits for our state, such as:

- A high-skilled workforce; 85% of WTCS graduates live and work in Wisconsin;
- Higher per capita incomes; WTCS graduates report wage increases averaging nearly 10% each year;
- Reductions in the number of unemployed and underemployed Wisconsinites; each year the WTCS helps more than 100,000 students with educational barriers succeed, and over 92% of WTCS graduates find employment within six months of graduation; and
- Vibrant, competitive businesses; WTCS workforce training improves work environments, generates cost savings and results in reduced employee turnover and higher wages.

Thank you again for this opportunity to address the Committee. The WTCS looks forward to working with the Legislature and the Governor to further enhance our ability to respond quickly and effectively to Wisconsin's workforce and economic development challenges.