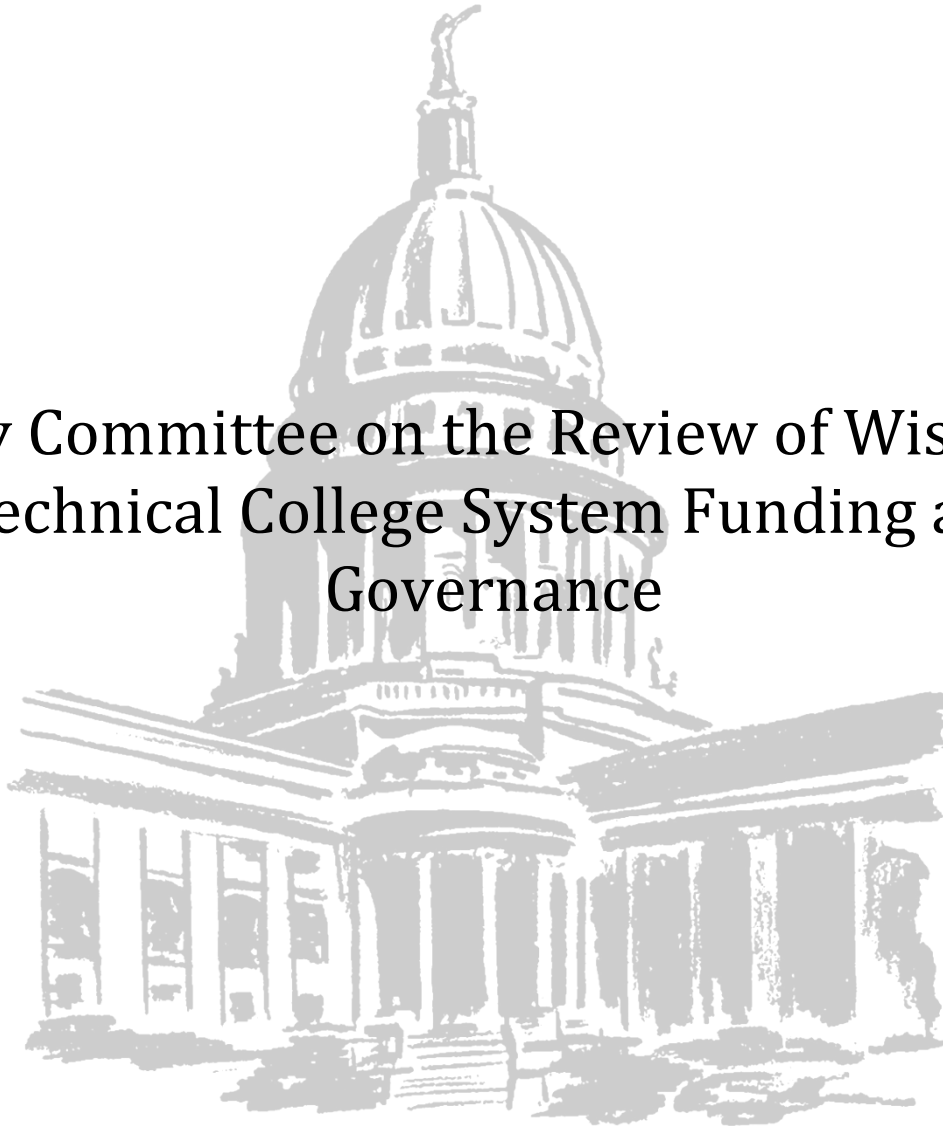


# Report to the Joint Legislative Council

## Study Committee on the Review of Wisconsin Technical College System Funding and Governance



February 18, 2015

LCR 2015-06

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# STUDY COMMITTEE ON THE REVIEW OF WISCONSIN TECHNICAL COLLEGE SYSTEM FUNDING AND GOVERNANCE

Prepared by:  
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February 18, 2015

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# PART I

## ADJOURNMENT WITHOUT RECOMMENDATION

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The Study Committee on the Review of Wisconsin Technical College System Funding and Governance makes no recommendation and files this informational report.

In its discussions, the Study Committee held two meetings during which it heard from a variety of stakeholders representing the Wisconsin Technical College Board, district boards, taxpayer groups, realtors, and manufacturers. In addition, the committee heard from a number of experts in regard to technical education economics and manufacturing. While alternative funding models and governance structures were discussed, ultimately, the committee did not come to any conclusions and the chair adjourned the committee without recommendation.

**Appendix 1** is a letter, from Chair Nygren to committee members, explaining his decision to adjourn the committee without recommendation.



# PART II

## COMMITTEE ACTIVITY

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### ASSIGNMENT

The Joint Legislative Council established the Study Committee on the Review of Wisconsin Technical College System Funding and Governance and appointed the chairperson by a March 19, 2014 mail ballot. The committee was 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 WTCS Board 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. Membership of the Study Committee was appointed by a May 21, 2014 mail ballot. The final committee membership consisted of two Senators, four Representatives, and 10 public members. A list of committee members is included as **Appendix 3** to this report.

### SUMMARY OF MEETINGS

The Study Committee held two meetings in the State Capitol on the following dates:

July 24, 2014

September 18, 2014

At the July 24, 2014 meeting, **Dan Schmidt and Mary Matthias, Legislative Council staff**, briefly described the contents of Staff Brief 2014-05, *Funding and Governance of the Wisconsin Technical College System*.

**Dave Loppnow and Christa Pugh, Legislative Fiscal Bureau**, described the information contained in the memorandum they prepared for the committee titled, *Overview of WTCS Revenues and Enrollment*. The Study Committee also heard invited testimony from a number of speakers.

**Andrew Petersen, President, WTCS Board**, described how Wisconsin technical colleges collaborate with Wisconsin businesses and industries to provide specialized training and offer educational programs in high-demand fields. He explained that this collaboration leads to high rates of job placement for technical college graduates and benefits to the Wisconsin economy. He said WTCS graduates tend to find jobs in their field of study and remain in Wisconsin. He supports the current model of funding the WTCS from a balance of sources. He said that reliance on state funding to the exclusion of the property tax is not desirable because of the volatility of state revenues, especially in times of economic downturns, which is precisely when many state residents seek additional training at technical colleges. He also discussed how the recently developed performance-based funding system will increase the accountability of technical colleges to the taxpayers.

**Morna Foy, President, WTCS**, said she supports the current systems of governance and funding of the WTCS, which is recognized nationally and internationally as an exemplary technical college system. She said that although reliance on the property tax has grown since the mid-1990s, state support for the WTCS has decreased significantly, which has placed upward pressure on property tax levies and tuition rates. Because they have taxing authority, local districts are considered to be municipalities and have their own bond ratings, which are quite high, which enables districts to borrow money at better rates than the state can. She said the transparency of the property tax makes the WTCS more accountable to taxpayers and creates a sense of local ownership. In the past 10 years, local referenda authorizing \$350 million in excess tax levies have been approved.

With regard to governance, President Foy discussed the difficulties colleges would have maintaining strong relationships with local business and industries if system governance were centralized. She said the current system provides for necessary checks and balances and the ability to implement statewide goals, while allowing sufficient autonomy for each district to meet local needs.

In response to questions, President Foy discussed plans of representation, performance-based budgeting, and accreditation requirements.

**Melanie Holmes, MATC District Board**, described her experiences on the MATC Board. She has been impressed by the responsiveness of the college to the needs of local businesses. She said each board member has a strong connection to local industries and an understanding of emerging workforce needs, and most MATC graduates remain in the area. She supports the current funding model which she said creates a sense of local ownership. She stated that it is important for local boards to retain the ability to borrow and repay money since it allows them to be nimble and respond quickly to local needs. She is concerned that changing the model might have unintended negative consequences.

**Dave Minor, WITC District Board**, said from his perspective as a resident of far northern Wisconsin, centralizing administration of the WTCS in Madison would be problematic. He said that since the WITC Board must make an effort to communicate effectively with just the four campuses it administers, effective administration of the entire system from Madison would not be possible. He said the current funding and governance systems are working well, and in fact WITC was recently voted the fourth best two-year college in the United States.

Mr. Minor and Ms. Holmes responded to questions regarding technical college foundations, limitations on student access due to tuition costs, issuance of bonds by local boards, the process of appointing members to local boards, and communication between technical college boards and county boards and taxpayers.

**Joe Murray, Wisconsin Realtors Association**, stated that the Wisconsin Realtors Association supports the recent buydown of the technical college property tax levy. He explained that high property taxes negatively affect the affordability of homes, and compared to other states, Wisconsin is overly reliant on property taxes. He provided statistical information on property tax levels in the United States. He said that history shows the only effective way to create meaningful property tax relief is to completely remove the property tax as a source of revenue for a



government function. He noted that WTCS tuition levels are lower than technical and community college tuition rates in many other states.

Mr. Murray said the Wisconsin Realtors Association supports local control of technical colleges but believes it is important to keep an open mind regarding modifying the system of WTCS funding. In response to questions, Mr. Murray pointed out that property tax revenues do not respond to changing economic conditions as sales and income taxes do. Chair Nygren commented that the property tax is reliable because it is the only tax that a person cannot avoid paying, even in difficult economic times when the tax may be very burdensome to taxpayers.

**Todd Berry, Wisconsin Taxpayers Alliance**, provided a wealth of historical data on property taxes in Wisconsin and discussed different perspectives regarding the use of property taxes to fund technical colleges. He discussed the principles of a good revenue system identified by the National Conference of State Legislatures, and principles for determining state vs. local responsibility for different governmental functions. He pointed out that Wisconsin has relatively high income and property taxes and low sales taxes. He said one-half of the amount of tax revenue collected by the state and deposited into the general fund is eventually distributed to local governments.

In response to questions, Mr. Berry discussed the concept of instituting a payroll tax to fund the technical colleges. He said if this model were used, the WTCS should be governed by a board of employers, since they would be funding the system. Mr. Tyler discussed the idea of a tax on WTCS graduates that would operate in a manner similar to tax incremental financing. He also suggested increasing the availability of need- based financial aid for students.

**Mike Birkley, Wisconsin Property Taxpayer's, Inc.**, stated that he does not believe that the property tax is an appropriate source of funding for higher education. He said local control should be maintained, but district boards should be required to submit a budget for approval by the state board. He suggested that the personal property tax be considered as a funding source, as currently only businesses pay personal property taxes. He also commented that many properties that receive municipal services are currently exempt from paying property taxes.

**Chris Reader, Wisconsin Manufacturers and Commerce (WMC)**, said that surveys of WMC members indicate that many have very strong and beneficial relationships with their local technical colleges, and the WTCS is very important to Wisconsin's economic development. He described some of the current partnerships between business and technical colleges, but noted that there is still a significant skills gap in Wisconsin and some employers have difficulty finding sufficiently trained workers for certain positions. He described areas of concern, including the need to reduce the stigma around technical education, and the need for the WTCS System to remain focused on local economic development regardless of what reforms may be instituted.

**Jason Culotta (WMC)** focused on tax policy and technical college budgets. He said Wisconsin taxes rank high as a percentage of personal income. He described recent statutory changes to WTCS finance, including capital expenditure limitations and the replacement of mill rate limits with revenue limits. He said a 2009 Lumina Foundation study showed that Wisconsin had the highest level of state subsidy in the United States for community colleges. He also discussed the obstacles to modifying technical college district boundaries. He suggested that if technical colleges

were not funded by property taxes, they would be free to compete with one another and could open satellite campuses in areas outside of their own districts.

In response to questions, Mr. Culotta said he was not sure if other states are experiencing the same degree of shortage of skilled workers as Wisconsin. He said that one cause for the skills gap is the retirement of many trained workers from the manufacturing sector.

**Josh Dukelow, Fox Cities Chamber of Commerce**, said the number one concern of members of his Chamber of Commerce is the need for reliable workers. He said the WTCS is the envy of the nation. He believes local governance fosters good relationships with area businesses and enables the technical colleges to leverage investments from employers, to the benefit of the local economy. He is concerned that if college governance is centralized, those investments might not continue. He noted that since local boards are appointed rather than elected, the board members are better able to focus on meeting the needs of employers and workers.

Mr. Dukelow stated that although reduction of the tax burden is a valuable goal, it is important to consider that not all public investments are equal. Some have a far greater return to the economy than others and should be protected. Likewise, not all funding sources are of equal reliability. Sales and income tax revenues typically fall during time of economic downturn, which is when technical college training is most needed. He also pointed out that technical college property taxes contribute to tax incremental financing.

At the September 18, 2014 meeting, **Christa Pugh, Fiscal Analyst, and Dave Loppnow, Program Supervisor, LFB**, described Ms. Pugh's memorandum dated September 11, 2014, regarding the increase in the Wisconsin technical college debt levy from fiscal years 2004-05 to 2013-14. Ms. Pugh and Mr. Loppnow then responded to committee questions regarding the memorandum.

The Study Committee heard invited testimony from a number of speakers.

**Aims McGuinness, Senior Associate, National Center for Higher Education Management Systems, Boulder, Colorado**, began his presentation by stating that the WTCS has a very good reputation throughout the country. He presented the committee with a paper titled, *Community and Technical College Governance*, and summarized the current state of community and technical colleges in the United States.

Mr. McGuinness emphasized that comprehensive educational services must be available in every region of a state to constitute a strong community or technical college system. He discussed the basic questions states face when providing community or technical college services. He described the origins of community and technical colleges and emphasized the importance of a centralized board to providing adequate services. He explained the various patterns of community and technical college system governance and gave several examples of states employing each type. He described the different patterns of state and local funding for community and technical colleges and provided examples. He concluded his remarks by discussing current and future trends in community and technical college systems.

Mr. McGuinness responded to committee member questions regarding funding models, general governance, and state versus local control.

**Pauline Jaske, President and CEO, Fairway Transit Inc., Pewaukee, and Chair, Waukesha County Technical College District Board**, discussed the strengths and weaknesses of current WTCS governance as it relates to the Waukesha Technical College District. She stated she was concerned that a policy requiring elected boards would result in a loss of expertise to the system. Board members with whom she had spoken indicated that they would not run for the board election. She discussed the importance of the training provided by the technical colleges to small businesses. She expressed concern for the local districts' bond ratings, if the ability to levy local tax is lost. She closed by stating that the current system functions well and is in no need of change.

**John Mielke, President, Associated Builders and Contractors of Wisconsin (ABC), Madison** described the ABC, stating that ABC represents 60,000 individuals with the typical member employing 15 to 25 people and generating \$2 to \$5 million in annual revenue. Mr. Mielke discussed the importance of the apprenticeship program to ABC members and its connection to the WTCS mission. He described the following challenges to the current apprenticeship program:

- Limited WTCS institution involvement.
- Limited ability for ABC to effect classroom outcomes.
- Difficulty in locating adequate instructors.
- Cost issues related to the full-time equivalent pricing model.

Mr. Mielke recommended that the WTCS institutions who participate in the apprenticeship program make changes to the current credit pricing models, permit increased professional influence on classroom outcomes and generally simplify the administration of apprenticeship programs within the WTCS. He further stated that the new performance-based funding model should recognize industry credentialing for apprentices.

Mr. Mielke responded to committee questions regarding the ABC apprenticeship program as it relates to the WTCS.

**Nate Ristow, Legislative Liaison, and John Koskinen, Chief Economist, Department of Revenue**, gave a brief history of the property tax and its relationship to technical colleges in Wisconsin. They discussed the historic policies and exemptions that have culminated in the current property tax system. He compared the WTCS state and local funding sources to those of other Midwestern states, both prior to and after the fiscal year 2013 move to the WTCS performance-based funding model.



## LETTER FROM REPRESENTATIVE NYGREN, CHAIR

December 22, 2014

Dear Member:

As the year comes to an end, I wanted to get in touch with you to express my heartfelt gratitude and appreciation for your serving on the Legislative County Study Committee on the Review of Wisconsin Technical College System Funding and Governance. I understand the time commitment and appreciate both your expertise and effort.

However, as our current legislative session is drawing to a close, I regretfully inform you that our study committee also must come to an end. We started an important conversation for this state, gathered input from a wide variety of stakeholders and the public but in the end with scheduling conflicts, the upcoming holidays and the session schedule -- we were unfortunately unable to come to any conclusions.

As members of this committee your involvement was critically important. All members brought so much to the table and each member added a great deal to the conversation. Citizen membership on legislative committees undoubtedly helps to provide a "real world" perspective that governmental body's sometime lack. Our members brought forward their backgrounds and experiences with technical college boards, businesses, skills training, workforce development, and taxation to help fuel our dialogue. For that civic service, I and the taxpayers of the state are extremely grateful.

In closing, on behalf of myself and Joint Legislative Council, I would like to thank you once again for your participation on our study committee. As the Legislature continues to explore ways to enhance our educational system and reform state government, we would certainly welcome your continued input and participation in the future.

Sincerely,

John Nygren  
State Representative



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This 22-member committee consists of the majority and minority party leadership of both houses of the Legislature, the co-chairs and ranking minority members of the Joint Committee on Finance, and 5 Senators and 5 Representatives appointed as are members of standing committees.





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**STUDY ASSIGNMENT:** The Study 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 WTCS Board 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.

**16 MEMBERS:** 4 Representatives; 2 Senator; and 10 Public Members.

**LEGISLATIVE COUNCIL STAFF:** Mary Matthias, Principal Attorney; Dan Schmidt, Principal Analyst; and Kelly Mautz, Support Staff.



## COMMITTEE MATERIALS LIST

*[Copies of documents are available at [www.legis.wisconsin.gov/lc](http://www.legis.wisconsin.gov/lc)]*

### **July 24, 2014 Meeting 10:00 a.m. 411 South**

- Presentation by Todd Berry, Wisconsin Tax Payers Alliance
- Testimony from Josh Dukelow, Fox Cities Chamber of Commerce
- Presentation by the Wisconsin Technical College System
- Memorandum, Overview of WTCS Revenues and Enrollment, from Dave Loppnow and Christa Pugh, Legislative Fiscal Bureau
- Testimony by Joe Murray, Wisconsin Realtors Association
- Staff Brief 2014-05, Funding and Governance of the Wisconsin Technical College System
- Letter from WEAC Region 8/WTCS
- WMC Comments to Legislative Council Technical College Study Committee (July 24, 2014)

### **September 18, 2014 9:00 a.m. 411 South**

- Memorandum, Increase in Wisconsin Technical College Debt Levy from 2004-05 to 2013-14 (Revised with Corrected Attachment 2), from Christa Pugh, Fiscal Analyst, Legislative Fiscal Bureau (September 11, 2014)
- Handouts distributed by Pauline Jaske, President and CEO, Fairway Transit Inc., Pewaukee, and Chair, Waukesha County Technical College District Board
- Presentation by Aims McGuinness, National Center for Higher Education Management Systems (September 18, 2014)
- Handout, Community and Technical College Governance, distributed by Aims McGuinness, Senior Associate, National Center for Higher Education Management Systems.
- Testimony of John Mielke, President, Associated Builders and Contractors of Wisconsin, Inc. (September 18, 2014)