



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 3, 1999

Joint Committee on Finance

Paper #1031

County Veterans Service Officer Grants (DVA -- Trust Fund Programs)

CURRENT LAW

The Department of Veterans Affairs (DVA) provides annual grants to counties that maintain a full or part-time county veterans service office. Under the statutes, each county must have a county veterans service officer (CVSO) and provide the CVSO with office space and clerical assistance. Grants (ranging from \$8,500 to \$13,000) are made to counties with full-time CVSOs based upon population. A county that has a part-time CVSO receives a \$500 annual grant. Adjusted base level funding for this program is \$732,000 SEG, of which \$292,800 is funded from the veterans trust fund and \$439,200 is funded from the veterans mortgage loan repayment fund.

GOVERNOR

Continue base level funding for the program of \$732,000 SEG.

DISCUSSION POINTS

1. The primary duties of a CVSO are to advise Wisconsin veterans of any benefits to which they may be entitled and assist them in applying for such benefits or services. The CVSO must be a veteran and is appointed for a two-year term by the county board, county executive, or county administrator in each county.

2. Grants for counties with full time CVSOs are based upon a county's population and range from \$8,500 to \$13,000. The annual grants are: \$8,500 for a county with a population under 20,000; \$10,000 for a county with a population from 20,000 to 45,499; \$11,500 for a county with a

population from 45,500 to 74,999; and \$13,000 for a county with a population of 75,000 or more. Counties with part-time CVSO's receive a grant of \$500 annually. The grants are provided to counties on a calendar year basis.

3. In January, 1998, DVA was informed by Iron County that its was going to upgrade from a part-time CVSO to a full-time its CVSO and would, therefore, be eligible for a higher grant. Since Iron County has a population of less than 20,000, its grant will increase from \$500 to \$8,500, effective with calendar year 1998.

4. The Governor's budget does not include any funding increase for the change in status of Iron County CVSO. The budget needs to be increased by \$8,000 SEG annually if the budget is to fully fund the CVSO grant levels in 1999-01.

5. In addition, however, DVA has indicated that since grants are issued on a calendar year basis, the county is eligible for an additional \$8,000 for CY 1998. The Committee could also provide additional one-time funding of \$8,000 in 1999-00 to fund this CY 1998 grant for Iron County.

6. If the Committee does not provide the additional funding in the budget, presumably DVA will seek supplementary funding under s. 13.10.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation (provide current base level funding).
2. Provide an increase of \$3,200 SEG annually from the veterans trust fund and \$4,800 SEG annually from the veterans mortgage loan repayment fund to provide funding for the increase in one full-time CVSO.

MO# Alt 3

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

Alternative 2	SEG
1999-01 FUNDING (Change to Bill)	\$16,000

Provide \$6,400 SEG in 1999-00 and \$3,200 SEG in 2000-01 from the veterans trust 0 SEG in 1999-00 and \$4,800 SEG in 2000-00 from the veterans mortgage loan to provide funding for the increase in one full-time CVSO, including the additional county for CY 1998.

Alternative 3	SEG
1999-01 FUNDING (Change to Bill)	\$24,000

David Worzala

AYE 16 NO 0 ABS 0

Gov Agency: Veteran's Affairs—Trust Fund Programs

Recommendations:

Items for Which No LFB Paper Was Prepared

Comments: Since this is a bill agency, no action is necessary to approve these items. They all look fine to me.

Prepared by: Julie

VETERANS AFFAIRS

Trust Fund Programs

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
6	Borrowing Authority to Fund Personal Loan Program
8	Employment and Training Programs
9	Subsistence Aid Grants
11	Veterans Trust Fund Reserve

Wisconsin Housing and Economic Development Authority

(LFB Budget Summary Document: Page 648)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	Biotechnology Development Finance Company (Paper #1035)
2,3,5,6&7	Wisconsin Development Reserve Fund (Paper #1036)
4	Small Business Loan Guarantees in Gaming Communities (see Paper #174--Tribal Gaming Revenue Allocations)

Base Agency: WHEDA—Biotechnology Development Finance Company

Recommendations:

Card 1

Paper No. 1035 Alternative 2 (no action needed).

Comments: LFB was not subtle in their criticism of this idea. The governor wants to set up a development finance company for biotechnology. The company would consist of members from WHEDA, Commerce, DOA, Investment Board, UW System, Forward Wisconsin, and designees from the state's biotechnology research community. Gov. Thompson wants greater investment in biotechnology because the state recently scored poorly on national ratings regarding business vitality. This particular proposal has some flaws, mainly that there are other programs (like the certified capital company program passed last session) that already invest in businesses related to biotechnology. Furthermore, UW-Madison operates a biotechnology center. Seems duplicative and a bit goofy to create this new program, thus I'm recommending Alt. 2.

Prepared by: Julie



Legislative Fiscal Bureau

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May 26, 1999

Joint Committee on Finance

Paper #1035

Biotechnology Development Finance Company (WHEDA)

[LFB 1999-01 Budget Summary: Page 648, #1]

CURRENT LAW

WHEDA sells taxable and tax-exempt mortgage revenue bonds and uses the proceeds to fund loans to eligible homebuyers, housing developers and businesses at below market interest rates. The Authority also provides financing, primarily in the form of loan guarantees, for economic and agricultural development.

GOVERNOR

Provide \$1,000,000 GPR in 1999-2000 in a biennial appropriation for administrative expenses and start-up capital for a biotechnology development finance company. Authorize WHEDA to organize and maintain a nonprofit, nonstock biotechnology development finance company to invest in new or existing biotechnology (technology relating to life sciences) companies in the state. Prohibit the company from engaging in political activities. The finance company would be allowed to invest in eligible biotechnology companies by purchasing stock, convertible securities, evidences of indebtedness, warrants, subscriptions, partnership interests or membership interests. However, the finance company would be limited to a total investment in any one biotechnology company of \$200,000 or 49% ownership, whichever is less.

The board of directors of the biotechnology development finance company would consist of nine members, including: (a) the Executive Director of WHEDA (or designee); (b) the Secretary of the Department of Commerce (or designee); (c) the Secretary of the Department of Administration (or designee); (d) the Executive Director of the Investment Board (or designee); (e) the President of the UW System (or designee); (f) the President of Forward Wisconsin, Inc. (or designee); and (g) one representative each of the state's biotechnology research community, biotechnology industry, and venture capital industry. Initially, the Governor would appoint the final three representatives for five-year terms. The company would specify in its bylaws a

method of reappointing or filling vacancies for the three public members. The biotechnology development finance company would also be required to annually provide a report on its activities to the Governor and to the appropriate standing committees in the Legislature.

Eligible Borrowers. The biotechnology development finance company could invest in a biotechnology company if all of the following apply:

- a. The biotechnology company has certified that the project plans conform to all applicable environmental, zoning, building, planning and sanitation laws;
- b. There is a reasonable expectation that the biotechnology company will be successful;
- c. Private industry has not provided sufficient capital required for the project;
- d. Other investment in the project is unavailable in the traditional capital markets, or capital has been offered on terms that would preclude the success of the project;
- e. The biotechnology company reports sufficient financial data about the project, which may include a periodic audit of the project's financial records, to the biotechnology development finance company;
- f. The proceeds of the purchase will be used solely in connection with the costs of the project, which may include planning and design, land purchases, feasibility studies, equipment, and working capital, among other costs; and
- g. The biotechnology company is able to manage its project responsibilities.

WHEDA is required to advise, assist and provide administrative services, as deemed necessary, to the biotechnology development finance company, either with WHEDA staff or by contract. The Department of Commerce is also directed to advise, assist and cooperate with the biotechnology development finance company. Neither the state nor WHEDA would be liable for any debt incurred by the biotechnology development finance company.

DISCUSSION POINTS

1. The Governor's recommendation to create a biotechnology finance company is one component of an effort to address an area of the state economy that appears to be lagging. Other components include an additional Commerce staff position, an agricultural export initiative, Investment Board action and manufacturing extension center grants through the Wisconsin Development Fund. The Development Report Card for the States gave Wisconsin an "A" because of strong economic and employment growth, a low poverty rate, good equity conditions, comparatively high health care benefits and a relatively small gap between rich and poor. The state also performed well on many social and health measures in quality of life. However, the report card indicates that Wisconsin's primary weakness was the comparative lack of dynamism in the business

sector. Wisconsin received an "F" in business vitality. The state had the fourth lowest entrepreneurship, the third lowest rate of new companies and a below average rate of new jobs from young companies. Further, the approximately \$75 million of venture capital investments in Wisconsin in 1998 ranked the state 35th for such contributions.

2. The Governor recommends creating a biotechnology development finance company to invest in biotechnology projects that are unable to receive conventional financing. Several programs currently support Wisconsin's biotechnology industry. The state provides funding for biotechnology industries through the technology development grant and loan program in the Wisconsin Development Fund. The purpose of the technology development grant and loan program is to fund technical research (including biotechnology) by a business or consortium to develop new, or improve existing, industrial products or processes and to assist businesses in infrastructure development and commercialization of a new product or process. Besides funding technical research, production, marketing, or sales costs, a technology development loan may be provided to a business for working capital or fixed asset financing to develop the infrastructure of the business or for the initial commercialization of the new industrial product or process. Commerce has provided approximately \$6 million in technology development grants and loans since 1990.

3. In April, 1999, the Wisconsin Investment Board approved investing \$50 million in venture capital aimed primarily at financing biotechnology enterprises in Wisconsin. Thus, the state will be providing venture capital through the Investment Board. Some may argue that the Investment Board, with over \$55 billion in assets and professional investment management experience, is better suited to provide venture capital to the biotechnology industry than the limited WHEDA-based biotechnology development finance company under the bill.

4. 1997 Act 215 authorized the creation of a certified capital company program for companies that provide venture capital investments to early-stage small businesses in the state. The act provides tax credits to insurance companies that invest in these certified capital companies, as an incentive to increase the pool of venture capital in the state. By providing tax credits, the state reduces the risk of venture capital investment and thus promotes such investments in the state. The act takes effect on July 1, 1999, and authorizes tax credits of up to \$50 million for increased venture capital investments. Act 215 will provide additional venture capital for Wisconsin biotechnology and other early-stage small businesses.

5. Further, Wisconsin investment firms already solicit biotechnology investments for risk-oriented investors. It could be argued that state funding for similar activities may infringe on the activities of private investment firms in the state. However, the biotechnology development finance company could only invest in a biotechnology business if private industry has not provided sufficient capital required for the project and if other investment in the project is unavailable in the traditional capital market. Moreover, providing \$1 million GPR for initial investments would not saturate the market for biotechnology investment in the state. It could be argued that if the biotechnology business were viable, private capital would be available on reasonable terms. Thus, the state may be providing funding for biotechnology businesses that have a higher chance of failure. However, others would maintain that one of the purposes of WHEDA is to assist businesses

that are unable to receive assistance from other sources. The biotechnology development finance company would assume the entire risk of any investment made.

6. The Committee has adopted the Governor's recommendation to create an economic development consultant position in Commerce to assist businesses in emerging science and technology fields, such as biotechnology, in accessing venture capital. The individual would focus on science and technology businesses that are in the beginning stages of development or developing new technologies that require financing. Related activities would include helping advance business and marketing plans and identifying and meeting requirements of private and public investors and venture capitalists. The position could assist the biotechnology industry in garnering investment through current outlets, including private firms and the Investment Board, without the state providing additional funds for a biotechnology development finance company.

7. The University of Wisconsin-Madison also assists the state's biotechnology industry. The University operates a biotechnology center which includes in its operations a database listing more than 150 Wisconsin companies, 50% of which focus primarily on biotechnology. The database includes biotechnology investors in the state and is geared towards researchers, potential investors, economic development organizations, and businesses related to Wisconsin's biotechnology industry. The Wisconsin Alumni Research Foundation recruits and patents UW-Madison research discoveries and licenses new technologies to the biotechnology industry. Further, the main goal of the UW-Madison Office of University-Industry Relations is to make the scientific and technical resources of the University available to business and industry.

8. The board of directors of the WHEDA financing company is also intended to provide a link between biotechnology research and its commercial applications. Some of these links may already be provided through UW programs. An advisory board could utilize the position provided in Commerce to perform or enhance much of the same activities. The Governor, by executive order, could create an advisory board. The board could assist Commerce, WHEDA and other state agencies with linking biotechnology research and commercial applications to support the biotechnology industry in soliciting investments and linking firms with current research. Further, these activities could also be coordinated, to a lesser extent, without the formation of an advisory board, by utilizing the Commerce economic development consultant and present UW, Investment Board and other resources.

9. WHEDA currently does not provide venture capital through any program. Nor does the Authority maintain any separate entities organized by WHEDA. WHEDA officials are unable to predict the initial and ongoing administrative costs or the number of additional positions (if any) required for organizing and maintaining a biotechnology development finance company. These costs would, in part, be dependent on decisions made by the board of directors of the biotechnology development company. Although WHEDA's expertise related to providing financing for biotechnology and venture capital is limited, the mission and programs of the Authority have expanded since its creation in 1971.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$1,000,000 in 1999-2000 in a biennial appropriation for administrative expenses and start-up capital for a nonprofit, nonstock biotechnology development finance company organized and maintained by WHEDA to invest in new or existing biotechnology companies in the state.

<u>Alternative 1</u>	<u>GPR</u>
1999-01 FUNDING (Change to Base)	\$1,000,000
[Change to Bill]	\$0

2. Maintain current law (the Governor could create an advisory board by executive order).

<u>Alternative 2</u>	<u>GPR</u>
1999-01 FUNDING (Change to Base)	\$0
[Change to Bill]	-\$1,000,000

Prepared by: David Schug

MO# Alt 1

BURKE	Y	(N)	A
DECKER	Y	(N)	A
JAUCH	Y	(M)	A
MOORE	Y	(M)	A
SHIBILSKI	Y	(N)	A
PLACHE	Y	(N)	A
COWLES	(Y)	N	A
PANZER	(Y)	N	A
1 GARD	(Y)	N	A
2 PORTER	(Y)	N	A
KAUFERT	(Y)	N	A
ALBERS	(Y)	N	A
DUFF	(Y)	N	A
WARD	(Y)	N	A
HUBER	Y	(N)	A
RILEY	Y	(N)	A

AYE 8 NO 8 ABS 0

Base Agency: WHEDA—Wisconsin Development Reserve Fund

Recommendations:

Paper No. 1036 Alternatives A 1(a)(b)(c)(d) and 3.
B 3

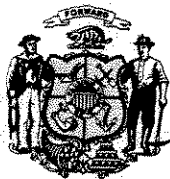
Mark

Comments: LFB didn't do the greatest job writing this paper—it's kind of all over the place. In any event, for the guarantee program, the governor's proposal seems just fine. It makes some changes (increases) to the loan amounts available for the CROP program, increases the amounts available for FARM loans, limits WHEDA's authority to make loans to cultural or architectural landmarks (with the exception of the current Talliesin loan), and moves \$2,000,000 from the WDRF to the environmental fund.

I checked with Juli Aulik, and she is okay with the restriction in part A1(d). Talliesin has their loan, and they don't expect to get anything more in the future.

Part B relating to the housing rehabilitation loan reserve transfer is where the paper gets more confusing. Alternative 3 seems like the best choice. It transfers \$5.1 million from the housing rehabilitation loan program to the WDRF, as the governor requested. In addition, it specifies that after the one time transfer of \$5.1 million, beginning on or before October 1 of next year, any funds in the housing loan program that are no longer required be transferred to the general fund. LFB makes a good case for ~~the~~ this in point 14.

Prepared by: Julie



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May 26, 1999

Joint Committee on Finance

Paper #1036

Wisconsin Development Reserve Fund (WHEDA)

[LFB 1999-01 Budget Summary: Page 649, #2, 3, 5, 6 & 7]

CURRENT LAW

WHEDA administers several loan guarantee programs related to business development and environmental contamination remediation. The loan guarantee programs are backed by the Wisconsin Development Reserve Fund (WDRF), which generally must contain at least one dollar in its cash balance for every \$4.50 in total outstanding guarantees. The WDRF is used to guarantee loans for various programs, including CROP, FARM, small businesses, brownfields remediation and a loan for the Taliesin Preservation Commission. Under the CROP program, eligible farmers receive guarantees on one-year agricultural production loans. WHEDA guarantees 90% of each qualifying agricultural production loan made by a participating lender with monies in the WDRF. Under the FARM program, eligible farmers receive guarantees (from monies in the WDRF) of up to 25% of the total loan amount to fund various capital improvements. In the 1997-99 budget, \$4 million was transferred from the recycling fund to the WDRF for a brownfields loan guarantee program to guarantee up to \$22,500,000 in loans for brownfields remediation.

WHEDA is authorized to make a loan of up to \$8 million and to guarantee up to 90% of a loan for cultural and architectural landmarks (\$7.2 million of the \$8 million in loans could be guaranteed). WHEDA has disbursed \$7,583,600 for a loan to the Taliesin Preservation Commission. The WDRF is required to maintain at least one dollar in reserve for every \$4 in outstanding guarantees under the Taliesin loan (all other WHEDA programs require one dollar in reserve for \$4.50 in guarantee authority).

The housing rehabilitation loan program provides below market rate loans to low-income households for home repair. The program is financed by the issuance of revenue bonds. The housing rehabilitation loan program administration fund receives revenue from both a housing rehabilitation loan program loan-loss reserve fund and a housing rehabilitation loan program bond redemption fund after the obligations of those funds are met (namely the principal and interest repayment of bonds issued for the program). The administration fund is used to pay most

administrative costs of the loan program. Under current law, excess funds in the administration fund are transferred, upon request of DOA, to the state's general fund, to the extent that WHEDA certifies the funds are no longer required for the program.

GOVERNOR

Increase the total outstanding principal amount of CROP loans a borrower may have at any one time from \$20,000 to \$30,000. Increase the maximum total outstanding principal amount of all FARM loans made to a borrower that are guaranteed from \$100,000 to \$200,000, and from \$50,000 to \$100,000 if any of the FARM loans were affected by any other state or federal credit assistance program. Require WHEDA to transfer \$2,000,000 from the Wisconsin development reserve fund (WDRF) to the environmental fund on the effective date of the bill. Reduce the maximum outstanding principal amount of brownfields loans that may be guaranteed to \$11,250,000.

Limit WHEDA's authority to make a loan or to use funds from the Wisconsin development reserve fund (WDRF) to guarantee a loan to a nonprofit organization that owns or leases cultural and architectural landmark property and improvements to the \$7,583,600 already provided to the Taliesin Preservation Commission. The loan would continue to be backed by the WDRF and the WDRF must continue to maintain at least one dollar in reserve for every \$4 in outstanding guarantees under the Taliesin loan. However, authority to issue additional loans would be repealed. Interest income received by individuals from the proceeds of any bonds that WHEDA issued to finance loans for the Taliesin Preservation Commission would still be exempt from state taxation. Further, real or personal property of the Commission would also continue to be exempted from general property taxation.

Transfer excess funds from the housing rehabilitation loan program administration fund, as certified by the chairperson of WHEDA, to the WDRF instead of the general fund. Require that unobligated funds from the housing rehabilitation loan program loan-loss reserve fund and the housing rehabilitation loan program bond redemption fund that are transferred to the administration fund be retained there or transferred to the WDRF rather than deposited to the general fund. Transfer at least \$5.1 million in 1999-2000 from the housing rehabilitation loan program administration fund to the WDRF, regardless of whether the WHEDA chairperson certifies that the funds are no longer required for the housing rehabilitation loan program.

DISCUSSION POINTS

Background

1. The WDRF was created by 1991 Wisconsin Act 39 through the consolidation into a single fund of several existing guarantee funds: the agricultural production loan fund (CROP fund), the recycling loan fund and the drought assistance and development loan fund. Each of these separate funds had been created to back guarantees made under one or more legislatively authorized

loan guarantee programs. This consolidated WDRF now backs guaranteed loans made by private lenders under separate programs, reserving funds to repay lenders for any losses from defaulted loans made under any of these guaranteed programs. The WDRF also funds the administrative costs of the loan guarantee programs.

2. The consolidation of the WDRF maximized the available guarantee authority for loan guarantee programs through an enlarged reserve fund. It also streamlined WHEDA's administrative functions, which reduces administrative charges to the WDRF. However, funds allocated for the brownfields remediation loan guarantee program in the 1997-99 budget may not be used to guarantee other loans under the WDRF. Contrary to the goal of consolidation of the WDRF, the separate brownfields remediation account within the WDRF guarantees only a specific type of loan. All other funds allocated to the WDRF have been eligible to guarantee any authorized loan under the WDRF.

3. While the Legislature from time to time appropriates money to the WDRF, the WDRF itself is a separate fund internal to WHEDA that is not considered a part of the state's budget. However, the statutes pledge the state's moral obligation to appropriate any funds necessary to meet obligations of the WDRF. Further, under current law, WHEDA is required to transfer annually (on June 30) to the state's general fund any balance in the WDRF which remains after deducting amounts sufficient to pay outstanding claims and to fund authorized guarantees under each of the loan guarantee programs backed by the fund. No funding has been transferred to the general fund since this statutory requirement was enacted because the balance in the WDRF has been less than the amounts needed to meet these objectives. The balance of the WDRF has declined since 1991, as shown in Table 1. The \$3.6 million increase in the fund in 1997-98 is due to the deposit of \$4 million from the recycling fund for brownfields loan guarantees under 1997 Act 27. The \$3.2 million reduction in 1999-2000 under the bill is related to \$0.5 million in expenditures for administration and loan defaults and the following items discussed in greater detail below: (a) a \$2 million transfer out of the WDRF; (b) a \$5.8 million loan default; and (c) a \$5.1 million deposit.

TABLE 1
WDRF Year End Balances
(Millions)

<u>Year</u>	<u>Balance</u>
1991-92	\$19.0
1992-93	17.4
1993-94	15.5
1994-95	15.2
1995-96	14.2
1996-97	12.9
1997-98	16.5
1998-99*	16.1
1999-00**	12.9
2000-01**	12.5

* Estimated.

** Projected under AB 133.

Brownfields, CROP and FARM affects of the WDRF Balance

4. The bill transfers one-half (\$2 million) of the brownfields loan guarantee reserves to DNR for brownfields site assessment grants. Further, the maximum outstanding principal amount that can be guaranteed for brownfields loans is reduced by one-half to \$11,250,000. To date, no brownfields loan guarantees have been made. Brownfields loan guarantee reserves may not be used except to guarantee a brownfields loan. Thus, approximately \$12.1 million is available in 1998-99 to guarantee all other loans. If the fund balance continues to decline, the statutorily required reserve ratio of 4.5:1 would cause a progressive lowering of the actual amount of loans that could be guaranteed by the fund. Allowing WHEDA to use the remaining funds in the WDRF related to brownfields loans to guarantee any loan under the WDRF would increase the flexibility of WHEDA in guaranteeing loans under the fund.

5. Under the CROP program, a borrower may have at any one time \$20,000 in total outstanding principal in CROP loans. The Governor's proposal would increase the maximum outstanding principal to \$30,000. The majority of CROP loans historically have been for between \$15,000 and \$20,000, as portrayed in Table 2, and the average loan over the past six years has been \$14,200. Further, of the loans listed in the \$15,000 to \$20,000 column, the average loan amount has been \$19,231. Thus, a large number of borrowers are receiving the maximum loan of \$20,000. It is these borrowers that would be expected to increase their loans to \$30,000.

TABLE 2

CROP Loans by Loan Size and Year

	< \$5,000		\$5,000-\$9,999		\$10,000-\$14,999		\$15,000-\$20,000		Total, all guarantees	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1993	182	\$602,669	465	\$3,235,887	374	\$4,285,981	993	\$19,099,443	2,014	\$27,223,980
1994	172	596,435	416	2,906,044	393	4,526,499	1,060	20,354,953	2,041	28,383,931
1995	127	431,268	300	2,100,969	288	3,369,961	739	14,208,639	1,454	20,110,837
1996	96	340,756	293	2,080,887	287	3,326,076	899	17,304,488	1,575	23,052,207
1997	95	319,705	249	1,739,676	245	2,853,655	823	15,817,619	1,412	20,730,655
1998	64	228,839	205	1,440,853	189	2,196,305	700	13,487,951	1,158	17,353,948
Total	736	\$2,519,672	1,928	\$13,504,316	1,776	\$20,558,477	5,214	\$100,273,093	9,654	\$136,855,558

6. If half of the borrowers receiving loans of between \$15,000 and \$20,000 increased their loan to \$30,000, the WDRF would be responsible for guaranteeing 90% of an additional \$3.5 million in loans, thus requiring additional guarantee reserves of \$700,000 (to cover \$3,150,000 in guarantees). The maximum loan to be guaranteed under the CROP program has been set at \$20,000 since the program was authorized in 1985. While some may argue guaranteeing higher loan amounts mainly benefits larger producers, the increase is consistent with the rate of inflation, as measured by the consumer price index.

7. The Governor also proposes increasing the maximum total outstanding principal amount of all FARM loans made to a borrower that are guaranteed from \$100,000 to \$200,000, and from \$50,000 to \$100,000 if any of the FARM loans were affected by any other state or federal credit assistance program. WHEDA guarantees the lesser of 25% of the amount of the loan made by a participating lender or an amount equal to the potential borrower's net worth. FARM loans are treated differently than other guaranteed loans in that the guarantee amount is based on the total original amount of the loan, rather than the current outstanding loan amount. Thus, for a \$100,000 loan that is guaranteed under the FARM program, the WDRF is accountable for \$25,000. Even if \$75,000 of the loan has been repaid, the WDRF is still responsible for the full \$25,000 remainder of the loan. This may eliminate risk to the lender once a loan is paid down, which would make WHEDA the sole possessor of loan risks. Requiring that WHEDA guarantee 25% of the outstanding principal amount of any eligible loan rather than 25% of the total loan amount would ensure that loan risks are shared between the lender and the WDRF. However, guaranteeing 25% of the total loan amount provides more incentive for lenders to encourage borrowing under the program.

8. In the three years since the FARM program's inception, the average amount for the 32 loans has been \$209,825. It should be noted that the WDRF has only guaranteed up to 25% of the first \$50,000 or \$100,000 depending on other credit obtained by the borrower. Thus, the WDRF has guaranteed less than 12% of the total loan amount for the 32 loans. Increasing the maximum outstanding principal amount of all FARM loans made to a borrower would bring the guarantee percentage closer to 25% of the principal of the loan. However, it also increases the amount of guarantee authority required by the WDRF for the FARM program. Based on past loan activity, the Governor's recommendation would require additional guarantee reserves of \$333,300 (to cover approximately \$1.5 million in guarantees).

9. Since the maximum guaranteed amount of loans under both programs may not exceed \$27 million, raising CROP and FARM loan amounts eligible for guarantee by the WDRF may decrease the number of loans provided under each of these programs. Further, it decreases the remaining guarantee authority available for other programs; the level of activity in one program could begin to constrict the level of activity in another program. Therefore, WHEDA would have to determine which programs would receive priority for the remaining guarantee authority available given the WDRF balance. For example, the small business loan guarantee program created in 1997 Act 27 also uses guarantees from the WDRF. If the increases in guarantee amounts under the CROP and FARM programs use much of the remaining guarantee authority, it would limit the amount of loans that could be guaranteed under the small business loan guarantee program. That is, the programs would have to compete for the guarantee authority available to be backed by the WDRF. The following table shows the various programs guaranteed by the WDRF and actual and maximum authorized guarantee for each.

TABLE 3**Current Actual and Maximum Authorized Guarantee Authority**

	Actual Guaranteed Amount of Loans*	Maximum Guaranteed Amount of Loans	Maximum Principal Amount of Loans
CROP/FARM	\$21,785,000	\$27,000,000	\$30,000,000
Brownfields	0	18,000,000	22,500,000
Small Business	3,183,000	9,900,000	12,375,000
Taliesin	6,825,000	7,200,000	8,000,000
Agribusiness	1,598,000	5,000,000	5,555,556
Expired Programs	<u>8,477,000</u>	<u>N.A.</u>	<u>N.A.</u>
Total	\$41,868,000	\$67,100,000	\$78,430,556

*As of May 1, 1999.

10. Under the bill, as modified by Committee action to date, maximum guarantee authority would decrease from \$67.1 million to \$50.9 million. This reflects a reduction of \$9 million for brownfields loans and a reduction of \$7.2 million for the Taliesin loan. (The Governor's recommendation to provide \$2.5 million from tribal gaming revenues to the WDRF for a small business loan guarantee program was not adopted by the Committee at its May 21 executive session.)

Taliesin Preservation Commission Loan

11. In October, 1993, a loan of \$8,000,000 was made of which \$7.6 million has been disbursed to the Taliesin Preservation Commission through the proceeds of debt instruments issued by WHEDA. The WDRF was used to guarantee the loan. WHEDA and the Commission restructured the loan agreement in April, 1997 to (a) eliminate interest on the loan, (b) defer payment of \$6.5 million in principal until January, 1999 and (c) require principal payments over a 20 year period on \$1.1 million. To date, \$33,333 in principal has been received on the \$1.1 million loan. In general, interest payments that are forgiven are ultimately paid with WHEDA funds.

12. A large portion of the Commission loan (\$6,494,700) technically defaulted in January, 1999. The WDRF, as guarantor, is responsible for repayment of 90% of the defaulted amount, or \$5,845,200. Since the Taliesin loan was made directly by WHEDA, the remaining defaulted amount of \$649,500 will be expended from a WHEDA reserve account for the loan. The remaining \$1,088,900 in disbursements to the Commission has been restructured as a no-interest loan. The AB133 transfer from the housing rehabilitation loan program administration fund would partially offset the default loss to the WDRF. By statute, the WDRF must have at least one dollar in reserve for every \$4.50 in available guarantee authority.

13. A December, 1997, review by the Legislative Audit Bureau found that loan proceeds had been used for financing and operational costs of the Commission, in addition to intended capital improvements. The report also noted that the value of the Commission's collateral for the loan was considerably lower than the outstanding loan amount. The Committee could choose to require WHEDA to take action to recover defaulted loan amounts. However, WHEDA officials believe that the maximum the Taliesin Preservation Commission can reasonably be expected to be able to pay is the remaining principal of the \$1,088,900 restructured loan. Further, placing liens on Commission assets would likely hamper the Commission's ability to procure additional federal or private funding.

Housing Rehabilitation Loan Reserve Transfers

14. The \$5.1 million the Governor proposes transferring from the housing rehabilitation loan program administration fund to the WDRF would have otherwise been available for transfer to the general fund. However, to date, no funds have been transferred to the state's general fund. Under the bill, as the housing rehabilitation loan program administration fund again has unobligated funds, these funds would be retained in the administration fund or transferred to the WDRF. Funds would be transferred to the WDRF only if WHEDA certified that the transfer amount was not necessary for the housing rehabilitation loan program. WHEDA officials anticipate some excess revenue in the administrative fund in the future as well, due to the favorable rate of the bonds issued for the housing programs. However, excess revenue is only transferred to the WDRF at the Authority's discretion. The WDRF is being steadily depleted. Specifying that WHEDA must annually transfer all revenues that are no longer required for the housing rehabilitation loan program to the WDRF may provide revenues to bolster the reserve fund. Alternatively, the Committee could specify that after the initial transfer of \$5.1 million to the WDRF, any excess funds be transferred annually to the general fund.

15. Table 4 outlines the effect of various alternatives on the ability of the WDRF to guarantee loans under its programs. If current law is maintained, due primarily to the Taliesin loan default, no other nonbrownfields loans could be guaranteed until more than \$14.3 million in current guaranteed loans are repaid. Under the Governor's provisions, the WDRF could guarantee an additional \$6.6 million in nonbrownfields loans (\$47.3 million in total) in 1999-2001 while keeping within the 4.5:1 ratio. If the Committee chose to allow WHEDA to use the funds in the WDRF for brownfields loans to guarantee any loan under the WDRF (Alternative A2), the balance of the WDRF would be sufficient to guarantee an additional \$15.6 million in loans, including brownfields guarantees (up to \$56.3 million in total could be guaranteed). While Alternative A2 would not allow total guarantees to exceed those under the bill, to the extent brownfields loan guarantees are underutilized, additional guarantee authority would be available for other guarantee programs.

TABLE 4**Nonbrownfields Loan Guarantee Amounts (in millions)**

	<u>1997-98</u>	<u>1998-99*</u>	<u>1999-00</u>	<u>2000-01</u>
Available Guarantee Authority:	\$20.3	\$12.6		
Current Law**			-\$14.3	-\$15.2
Governor**			8.3	6.6
Alternative**			17.3	15.6

*As of May 1, 1999.

**Based on May 1, 1999 guarantees.

ALTERNATIVES TO BASE**A. Guarantee Programs**

1. Approve the Governor's recommendation to:

a. Increase the total outstanding principal amount of CROP loans a borrower may have at any one time from \$20,000 to \$30,000;

b. Increase the maximum total outstanding principal amount of all FARM loans made to a borrower that are guaranteed from \$100,000 to \$200,000, and from \$50,000 to \$100,000 if any of the FARM loans are affected by any other state or federal credit assistance program; and

c. Require WHEDA to transfer \$2,000,000 from the Wisconsin development reserve fund (WDRF) to the environmental fund on the effective date of the bill and reduce the maximum outstanding principal amount of brownfields loans that may be guaranteed to \$11,250,000.

d. Limit WHEDA's authority to make a loan, or to use the WDRF to guarantee a loan, for cultural or architectural landmark properties to the amounts already provided to the Taliesin Preservation Commission.

2. In addition, allow WHEDA to use the funds in the WDRF for brownfields loans to guarantee any loan under the WDRF.

3. In addition, require that WHEDA guarantee the lesser of 25% of the outstanding principal amount (rather than the original loan amount) of any eligible FARM loan or an amount equal to the potential borrower's net worth.

4. Maintain current law.

B. Housing Rehabilitation Loan Reserve Transfers

1. Approve the Governor's recommendation to:

a. Transfer excess funds from the housing rehabilitation loan program administration fund, as certified by the chairperson of WHEDA, to the WDRF and require that unobligated funds from the housing rehabilitation loan program loan-loss reserve fund and the housing rehabilitation loan program bond redemption funding that are transferred to the administration fund be retained there or transferred to the WDRF; and

b. Transfer at least \$5.1 million in 1999-2000 from the housing rehabilitation loan program administration fund to the WDRF, regardless of whether the WHEDA chairperson certifies that the funds are no longer required for the housing rehabilitation loan program.

2. In addition to Alternative B1, require WHEDA to annually transfer, beginning on or before October 1, 2000, all funds in the housing rehabilitation loan program administration fund that are no longer required for the housing rehabilitation loan program to the WDRF. *(More motion)*

3. Do not adopt the Governor's recommendation. Rather, transfer ^{at least} \$5.1 million from the housing rehabilitation loan program administration fund to the WDRF. Further, require WHEDA to annually transfer, beginning on or before October 1, 2000, all funds in the housing rehabilitation loan program administration fund that are no longer required for the housing rehabilitation loan program to the general fund (rather than to the WDRF).

4. In addition, require that before any monies are transferred from the housing rehabilitation loan program administrative fund to the WDRF, WHEDA submit to the Joint Committee on Finance, for its approval, a report of actions taken to recover defaulted amounts from the Taliesin Preservation Commission.

5. Maintain current law. (It is assumed the \$5.1 million in excess funds identified by WHEDA would be certified for deposit to the general fund. Further, no new loans could be guaranteed under the WDRF.)

MO# *A1(a)(b)(c)(d)+3*

<u>Alternative B5</u>	<u>GPR</u>
1999-01 REVENUE (Change to Base)	\$5,100,000
<i>[Change to Bill</i>	<i>\$5,100,000]</i>

B3

2 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
MOORE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
PLACHE	<input checked="" type="radio"/>	N	A
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1 GARD	<input checked="" type="radio"/>	N	A
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RILEY	<input checked="" type="radio"/>	N	A

Prepared by: David Schug

MO# add "at least" to
B-3 (see Q)

2 BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
1 MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE _____ NO _____ ABS _____

MO# A2

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
2 MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE _____ NO _____ ABS _____

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Wisconsin Development Reserve Fund
[Paper #1036]

Motion:

Move to amend Alternative B3 to transfer the lesser of \$5,845,215 or the amount needed to cover the guaranteed default amount of the loan to the Taliesin Preservation Commission from the housing rehabilitation loan program administration fund to the WDRF.

MO#			
BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 16 NO 0 ABS 0

Representative Gard
Representative Porter

ENVIRONMENTAL IMPROVEMENT FUND

Land Recycling Loan for City of Kenosha
[LFB Paper #432]

Motion:

Move to direct DNR and DOA to provide a \$3,000,000 no-interest land recycling loan to the City of Kenosha for a demonstration project to explore alternative methods of administering the land recycling loan program and of repaying the financial assistance provided under the program. DNR, DOA and the City of Kenosha would be required to enter into an financial assistance agreement to specify the use of the financial assistance, the time schedule for dispersal of funds and completion of work under the demonstration project and the terms of repayment of the loan. The demonstration project would be exempt from the land recycling loan program requirements in s. 281.60 (2r) through (11). Specify that if the financial assistance agreement is not entered into by June 30, 2000, the provision would no longer apply.

Note:

The \$3,000,000 no-interest loan to the City of Kenosha would be exempt from statutory requirements governing the methods of providing financial assistance, submission of a notice of intent to apply, application requirements, establishment of a priority list, approval of applications, establishment of a funding list, allocation of funding, conditions of financial assistance, notice of financial assistance commitments and the deadline for closing. The funds would only be available if DNR, DOA and the City of Kenosha enter into a financial assistance agreement by June 30, 2000. The Kenosha loan would be subject to the current requirement to pay an annual service fee of 0.5% of the loan balance for reviewing and acting upon the loan application and servicing financial assistance agreements. The Kenosha loan would be subject to the current requirement that the sale of a site or facility with an outstanding loan balance may not be for less than fair market value, and that certain sales proceeds shall be used to repay a portion of the state subsidy costs.

MO#

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 11 NO 5 ABS

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Wisconsin Technical College System

(LFB Budget Summary Document: Page 654)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
-	General Aids for Technical College Districts (Paper #1045)
2	Waukesha County Technical College Printing Program Grant (Paper #1046)
-	La Crosse Health Science Center (Paper #1047)

(Base) Agency: Technical College System -- General Aids

Recommendations:

Paper #1045: Item 2 -- 2% increase

Comments: This amount is roughly half what system requested, but fairly consistent with what the gov proposed for UW.

Arguments for increased investment here include:

- It's property tax relief.
- Since 1990, the state's share of tech school costs has fallen from 29% to 22.5% -- that's cost shifting to property taxpayers.
- Tech schools have more important role now than ever in helping employers find skilled workers and families improve standard of living.
- Parity with UW is only fair.

Shibilski (Wirch?) is expected to move for at least a 1% increase (which he would pay for by eliminating a new governor's scholarship program through DWD) but Ed Chin was pushing to have him move 2%, which they claim is what they need.

In the following paper, the gov gives \$500,000 to Waukesha County Tech College for their printing program (with Stout). One could argue that the money would be better spent on general aids to benefit the entire state. (However, in past letters, you are on record as supporting previous incarnations of this proposal).

Prepared by: Bob



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

April 20, 1999

Joint Committee on Finance

Paper #1045

General Aids for Technical College Districts (WTCS)

CURRENT LAW

Of the \$766.9 million in total revenues received by Wisconsin Technical College System (WTCS) districts in 1997-98, almost half (48.4%) was from property taxes. The remaining \$395.8 million consisted of state aid (16.5%), tuition and fees (12.6%), federal aid (7.2%) and self-financing operations and miscellaneous revenues (15.3%).

State aid is provided to WTCS districts either in the form of unrestricted general aid or through categorical aids which support specific programs or services. In 1998-99, \$113,530,000 GPR is provided for state general aids and \$14.6 million GPR and \$0.5 million PR is appropriated for various categorical aid programs. General aids are distributed through a formula which takes into account each of the 16 district's costs, FTE students and equalized property valuation.

GOVERNOR

The appropriation for general aids to technical college districts would remain at the 1998-99 base level of \$113,530,000.

DISCUSSION POINTS

1. The following table shows the amount appropriated for general aids to WTCS districts and the ratio of general aids to aidable costs since 1990-91. Aidable costs represent expenditures, including debt service, associated with providing postsecondary, vocational-adult and college parallel programs which are funded with property taxes and state general aids.

<u>Year</u>	<u>General Aid</u>	<u>% Change</u>	<u>Aidable Cost</u>	<u>% Change</u>	<u>Ratio of Aid to Cost</u>	<u>Change in CPI**</u>
1990-91	92,534,500	---	319,076,800	---	29.0%	5.4%
1991-92	96,034,500	3.8%	336,535,200	5.5%	28.5	4.2
1992-93	99,034,500	3.1	357,849,100	6.3	27.7	3.0
1993-94	104,454,200	5.5	376,344,800	5.2	27.8	3.0
1994-95	110,199,200	5.5	403,685,400	7.3	27.3	2.6
1995-96	110,199,200	0.0	432,228,200	7.1	25.5	2.8
1996-97	110,199,200	0.0	453,406,400	4.9	24.3	2.9
1997-98	111,852,200	1.5	475,291,400	4.8	23.5	2.3
1998-99*	113,530,000	1.5	504,536,400	6.2	22.5	1.6

*Aidable cost is based on April, 1999, district estimates.

**Consumer Price Index changes for calendar years 1990 through 1998.

2. As the table indicates, the state's share of aidable cost has declined from 29% to an estimated 22.5% in 1998-99. If funding for general aids is maintained at the current level and aidable costs were to increase by 5.5% per year, the state's share of aidable costs would decline to 20.4% by the end of the 1999-01 biennium. However, the increase in aidable costs has exceeded the rate of inflation, as measured by the consumer price index, in each year during this period.

3. The WTCS Board cites several factors as contributing to district cost increases including employe contract settlements ranging from 3.8% to 4.5% and the need to provide compensation for instructors at levels that are competitive with what they could receive in private industry. The Board indicates that cost increases are also attributable to: greater numbers of high school students being served through school-to-work programs; investments in technology for distance education and updated administrative software systems; and increases in the number of students with disabilities.

4. In its biennial budget request, the State Board requested increases of \$4,995,300 (4.4%) in 1999-00 and \$10,684,500 (4.8%) in 2000-01. The request was based on a survey of the 16 WTCS districts in which the districts were asked to project their budget needs to: (a) maintain the same level of programming as in 1997-98; and (b) to "meet actual program needs and training demands." The responses indicated that annual increases of 4.0% would be required to maintain the same level of programming and 5% would meet actual needs and demands. Documentation from the State Board indicates that the requested increases of 4.4% in 1999-00 and 4.8% in 2000-01 were intended to gradually move towards the level of funding sought by the districts to meet their programming needs and to reverse the decline in the percentage of state support for the System while recognizing the budget constraints facing the state. In addition, the State Board argues that the requested increase would slow the growth in district property tax levies.

5. In the 1997-99 biennium, general aids were increased by 1.5% annually and net increases in categorical aids totaled \$932,000 annually. Total WTCS revenues increased by 5.7% in 1997-98 and an estimated 5.8% in 1998-99, due primarily to increases in the property tax, tuition and fee revenues and self-financing operations.

6. Under current law, WTCS district levies for all purposes except debt service cannot exceed 1.5 mills. For districts at the mill limit, increases in revenue are essentially limited to increases in their equalized property values, and thus it is argued that particularly for these districts, there is a greater need for increases in state aid. In 1998-99, however, only three districts (Milwaukee, Southwest and Western) are at the mill limit. The mill limit was a greater concern in the late 1980s and early 1990s, when more than half of the districts were at the mill limit. Since 1991-92, statewide property valuations have increased by an average 7.4% annually. This growth has allowed most districts to increase their property tax revenues while remaining at or below the limit. In 1998-99, the statewide average increase in property valuations was 6.8% with increases in individual districts ranging from a low of 4.2% (Milwaukee) to a high of 13.3% (Nicolet).

7. Due to changes in district aidable costs and equalized valuations per FTE, a district's general aid payment typically varies from year to year even when the total amount appropriated for general aids remains constant. Current projections for 1999-00 indicate that the estimated percentage change in general aid for individual districts would range from -5.9% to 7.5%. Of the six districts which show a decline in general aid in 1999-00, two (Milwaukee and Western) are currently at the 1.5 mill limit. However, these estimates are based on projections of district property valuations, costs and FTEs and should be considered speculative; actual payments may differ significantly from such preliminary estimates.

8. Since 1996-97, the state's property tax relief efforts have focused on elementary and secondary school aids. Most of the state's other major local aid programs have been frozen while the Governor and Legislature have appropriated funds to meet the state's commitment to fund two-thirds of partial K-12 school revenues.

Specifically, no increase has been provided since 1995 for the shared revenue, expenditure restraint and county mandate relief programs. The small municipalities shared revenue program (SCIP) was funded at \$14 million in 1995 and reduced to \$10 million in 1996, and has remained at that level. With total base funding of approximately \$1.0 billion, these programs represent the bulk of state funding for other local aids. However, the 1997-99 state budget increased funding for payments for municipal services by 7.3% in 1998-99 and calendar year general transportation aid by 9.6% in 1998 and 3.5% in 1999. Under the bill, the appropriation for general transportation aid would increase by 3% for calendar year 2000 and remain unchanged for 2001.

ALTERNATIVES TO BASE

1. Increase general aids to WTCS districts by \$4,995,300 (4.4%) in 1999-00 and \$10,684,500 (4.8%) in 2000-01.

Alternative 1	GPR
1999-01 FUNDING (Change to Base)	\$15,679,800
[Change to Bill]	\$15,679,800]

2. Increase general aids to WTCS districts by one of the following percentages:

% Increase	GPR Funding Amount Calculated as a Change to Base or Bill		
	1999-00	2000-01	Total
1.0%	\$1,135,300	\$2,282,000	\$3,417,300
2.0	2,270,600	4,586,600	6,857,200
3.0	3,405,900	6,914,000	10,319,900
4.0	4,541,200	9,264,000	13,805,200
5.0	5,676,500	11,636,800	17,313,300

3. Maintain current law. Annual funding for general aids to WTCS districts would remain at \$113,530,000.

Prepared by: Merry Larsen

MO# AH2 200

BURKE	<input checked="" type="radio"/> Y	<input type="radio"/> N	<input type="radio"/> A
DECKER	<input checked="" type="radio"/> Y	<input type="radio"/> N	<input type="radio"/> A
JAUCH	<input checked="" type="radio"/> Y	<input type="radio"/> N	<input type="radio"/> A
MOORE	<input checked="" type="radio"/> Y	<input type="radio"/> N	<input type="radio"/> A
PLACHE	<input checked="" type="radio"/> Y	<input type="radio"/> N	<input type="radio"/> A
WIRCH	<input checked="" type="radio"/> Y	<input type="radio"/> N	<input type="radio"/> A
COWLES	<input type="radio"/> Y	<input checked="" type="radio"/> N	<input type="radio"/> A
PANZER	<input type="radio"/> Y	<input checked="" type="radio"/> N	<input type="radio"/> A
GARD	<input type="radio"/> Y	<input checked="" type="radio"/> N	<input type="radio"/> A
PORTER	<input type="radio"/> Y	<input checked="" type="radio"/> N	<input type="radio"/> A
KAUFERT	<input type="radio"/> Y	<input checked="" type="radio"/> N	<input type="radio"/> A
ALBERS	<input type="radio"/> Y	<input checked="" type="radio"/> N	<input type="radio"/> A
DUFF	<input type="radio"/> Y	<input checked="" type="radio"/> N	<input type="radio"/> A
WARD	<input type="radio"/> Y	<input checked="" type="radio"/> N	<input type="radio"/> A
HUBER	<input checked="" type="radio"/> Y	<input type="radio"/> N	<input type="radio"/> A
RILEY	<input checked="" type="radio"/> Y	<input type="radio"/> N	<input type="radio"/> A

AYE 8 NO 8 ABS 0

WISCONSIN TECHNICAL COLLEGE SYSTEM

General Aids for Technical College Districts

Motion:

Move to increase general aids for technical college districts by \$1,135,300 GPR in 1999-00 and in 2000-01.

Note:

This motion would increase funding for general aids to technical college districts by \$1,135,300 (1.0%) in 1999-00 above the 1998-99 base level of \$113,530,000. Funding would remain at \$114,665,300 in 2000-01.

[Change to Bill: \$2,270,600 GPR]
[Change to Base: \$2,270,600 GPR]

MO# 560

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

Motion #560

AYE 6 NO 10 ABS 0

WISCONSIN TECHNICAL COLLEGE SYSTEM

General Aids for Technical College Districts

Motion:

Move to increase general aids for technical college districts by \$1,100,000 GPR in 1999-00 and \$2,200,000 GPR in 2000-01.

Note:

This motion would increase funding for general aids for technical colleges by \$1,100,000 in 1999-00 and \$2,200,000 in 2000-00 over the 1998-99 base level of \$113,530,000. The additional funding would represent annual increases of approximately 0.97% in 1999-00 and 0.96% in 2000-01.

[Change to Base: \$3,300,000 GPR]
[Change to Bill: \$3,300,000 GPR]

MO#			
BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 10 NO 6 ABS 0

WISCONSIN TECHNICAL COLLEGE SYSTEM

Financing of Capital Expenditures for Applied Technology Centers

Motion:

Move to permit each Wisconsin Technical College System (WTCS) district board to expend up to \$5,000,000 prior to December 31, 2001, for the purchase or construction of facilities to be used as applied technology centers provided that the district board has adopted a resolution approving the project and the WTCS Board has approved the borrowing of funds to purchase or construct the facility. Require the WTCS Board to develop, implement and administer an approval process to approve the borrowing of funds for the facilities. Require the Board to develop the approval process in consultation with representatives of business and labor interests. Provide that, in order to receive approval by the WTCS Board, each district board would have to demonstrate, to the satisfaction of the WTCS Board, all of the following:

1. That the proposed applied technology center is likely to increase or retain the number of jobs in the region to be served by the proposed center that require a high level of skill and provide a high level of wages.
2. That the productivity of the workers that would use the applied technology centers is likely to increase.
3. That a commitment exists from businesses in the region to be served by the proposed applied technology center to fund 30% of the capital costs, in cash or through in-kind contributions, of the applied technology center, 100% of the direct operating costs of the applied technology center and 20% of the indirect operating costs of the applied technology center.

Specify that the WTCS Board would have to require each district board that receives approval for such a project to report annually by December 1, beginning in the year the applied technology center is operational, on the change in wages, productivity and the skill levels of workers that have been directly served by the applied technology center. Provide that the authority for each technical college district board to expend up to \$5,000,000 for the purchase or construction of facilities to be used as applied technology centers and the WTCS Board approval process and requirements would not apply after December 31, 2001.

Note:

Under current law, a WTCS district board is authorized to borrow money or levy taxes for the purchase or construction of buildings, the acquisition of sites and equipment, and for additions, enlargements and improvements to buildings. A district may issue bonds or promissory notes to finance the cost of such activities. A referendum is required if a WTCS district proposes to expend more than \$500,000, excluding funding from gifts, grants or federal funds, for a capital project. Such capital expenditures include the acquisition of sites, the purchase or construction of buildings, building additions or enlargements, the lease/purchase of buildings if costs exceed \$500,000 over the life of the lease, and the purchase of fixed equipment relating to any such activity. All projects located on a single campus site that are bid concurrently or approved by the State WTCS Board within a two-year period are considered as one capital expenditure project under this provision. The State WTCS Board is required to review any proposals by district boards for land acquisition, additional or new facilities, rentals and remodeling of existing facilities. State Board approval must be obtained prior to the letting of contracts to construct, remodel, rent or incur debt for such facilities or acquisition of land.

This motion would create an exception to the current referendum requirements to allow each WTCS district board to expend up to \$5,000,000 for the purchase or construction of facilities to be used as applied technology centers, and establishes requirements that must be met in order for the WTCS Board to approve such projects. The exception and related provisions would sunset on December 31, 2001.

MO# _____

BURKE	Y	<input checked="" type="radio"/> N	A
DECKER	Y	<input checked="" type="radio"/> N	A
JAUCH	<input checked="" type="radio"/> Y	N	A
MOORE	Y	<input checked="" type="radio"/> N	A
SHIBILSKI	<input checked="" type="radio"/> Y	N	A
PLACHE	<input checked="" type="radio"/> Y	N	A
COWLES	Y	N	<input checked="" type="radio"/> A
PANZER	<input checked="" type="radio"/> Y	N	A
GARD	Y	<input checked="" type="radio"/> N	A
PORTER	Y	<input checked="" type="radio"/> N	A
KAUFERT	<input checked="" type="radio"/> Y	N	A
ALBERS	<input checked="" type="radio"/> Y	N	A
DUFF	<input checked="" type="radio"/> Y	N	A
WARD	<input checked="" type="radio"/> Y	N	A
HUBER	<input checked="" type="radio"/> Y	N	A
RILEY	<input checked="" type="radio"/> Y	N	A

AYE 10 NO 5 ABS 1

(Base) Agency: Technical College System -- Waukesha County
Technical College Printing Program Grant

Recommendations:

Paper #1046: Alternative 3 (current law)

Comments: Waukesha County Tech has done a good job of rallying support for this program, with printing industry leaders voicing strong support. In the past you have been generally supportive of the proposal because of its potential to help generate good jobs and the promise of a private funding match. However, this was before the gov decided we couldn't afford any increase in general aid for tech schools. There are many schools in much more challenging financial shape than this one.

While Option 2 establishes a statewide competitive grant program, Chin and company would prefer general aid if the gov's plan doesn't fly.

Prepared by: Bob



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April 20, 1999

Joint Committee on Finance

Paper #1046

Waukesha County Technical College Printing Program Grant (WTCS)

[LFB 1999-01 Budget Summary: Page 654, #2]

CURRENT LAW

Of the \$766.9 million in total revenues received by Wisconsin Technical College System (WTCS) districts in 1997-98, almost half (48.4%) was from property taxes. The remaining \$395.8 million consisted of state aid (16.5%), tuition and fees (12.6%), federal aid (7.2%) and self-financing operations and miscellaneous revenues (15.3%). State aid is provided to WTCS districts either in the form of unrestricted general aids or through categorical aids which support specific programs or services. In 1998-99, \$113.5 million is appropriated for state general aids and \$15.1 million is appropriated for various categorical aid programs.

GOVERNOR

Provide \$250,000 GPR in each year of the 1999-01 biennium in a new, annual appropriation for a grant to the Waukesha County Technical College District Board for the development of its printing program. According to Executive Budget documents, the program would be coordinated with existing youth apprenticeship programs in printing and the baccalaureate degree program in graphic communications management at the University of Wisconsin-Stout. No funding could be encumbered from this appropriation after the 2000-01 fiscal year.

DISCUSSION POINTS

1. Since the fall semester of 1997, Waukesha County Technical College (WCTC) has offered an associate degree program in printing and publishing. The program was initially developed at the request of local printing companies, the Printing Industries of Wisconsin and Waukesha County high schools with printing programs. Because the district did not have the

facilities or equipment necessary for such a program, an arrangement was made with Hamilton High School in Sussex for WCTC students to use its printing labs and equipment during the late afternoon hours, evenings and weekends. The district also plans to offer a one-year technical diploma in printing and continuing education courses in printing. However, due to space limitations, WCTC currently offers only the two-year associate degree and an advanced technical certificate in desktop publishing, classes for which are held in a building on the campus.

2. WCTC has proposed construction of a 50,300 square foot printing technology building located at the district's Pewaukee campus at a cost of \$5.4 million. In addition to the printing and desktop publishing programs, current plans call for the building to house the district's associate degree architectural drafting/construction technology program as well as continuing education courses in construction. The facilities plan received preliminary approval at the State WTCS Board meeting on January 27, 1999, and was approved by the district's voters in a referendum held on April 6, 1999. The district intends to request final approval from the State Board in September, 1999, and if approved, to complete construction of the new facility by December, 2000. WCTC staff have indicated that the funds provided in the bill would be used to purchase equipment for the district's proposed new printing facility. The total cost for printing equipment and furniture for the facility is estimated at approximately \$2.7 million.

3. WCTC's program is intended to dovetail with youth apprenticeship programs in the Waukesha area and with UW-Stout's bachelor's degree program in graphic communications management (GCM) to form a "2+2+2" program. These programs allow a high school pupil to complete a two-year apprenticeship, then go on to a two-year associate degree program and finally complete a bachelor's degree program in two, rather than four years. According to the Department of Workforce Development (DWD), 23 printing firms in Waukesha County participate in youth apprenticeship programs. In December, 1997, UW-Stout and WCTC signed a transfer articulation agreement which allows a student who has completed the WCTC printing and publishing program to transfer to Stout's GCM program. The transfer agreement is intended to encourage Waukesha County students who would not normally consider entering in an associate degree program, to enroll at WCTC with the intention of eventually obtaining a bachelor's degree. Because students would have the flexibility to continue their education or enter the workforce after completing the apprenticeship or the associate degree, the aim is to increase the number of students completing printing programs at all stages in order to meet the demand for workers of varying skill levels.

4. According to UW-Stout staff, the campus currently offers a bachelor's degree in industrial technology to students who have completed associate degree programs at certain WTCS campuses. WTCS students can meet all of the requirements for the degree without physically attending UW-Stout. A student participating in the program takes 32 credits in UW-Stout "professional block" courses offered through distance education over a period of three and one-half years and an additional 52 credits in general education courses that may be provided by the technical college or another institution in the student's area. The program was first offered at Milwaukee Area Technical College where 59 students have completed the UW-Stout courses. Of these students, three have obtained their bachelor's degrees and the remaining students are in the process of fulfilling the general education requirements. UW-Stout began offering the program to

WTCS students at Western, Fox Valley and Northcentral technical colleges in the fall semester of 1998 and to students at Madison and WCTC in the spring semester of 1999. In the future, UW-Stout plans to replace the current program with a degree in industrial management with a concentration in printing and publishing. However, this program has not yet been approved by the Board of Regents.

5. The rapid growth experienced by the printing and publishing industry has resulted in a shortage of qualified employees. Information provided by Printing Industries of Wisconsin (PIW) indicates that, as of June, 1997, a total of 1,513 printing firms were located in Wisconsin and employed 54,195 individuals. In its most recent labor market analysis, DWD indicates that employment in printing and publishing in Wisconsin grew at an annual rate of 3.5% between 1982 and 1996. DWD projects that the industry will create 6,260 new jobs between 1996 and 2006, an increase of 11.8%.

6. Approximately 30% of Wisconsin's printing firms and 33% of printing employees are located in Milwaukee and Waukesha Counties. There are approximately 295 firms with 9,072 employees in Milwaukee County and 165 firms with 8,700 employees in Waukesha County. In order to ascertain the level of demand for printing employees locally, PIW conducted a survey of 33 of the 166 printing firms in Waukesha County. The survey found that these firms currently have a total of 87 jobs available, of which 41 require a skilled employee. Over the next five years, the 33 firms expect to generate 486 new jobs. However, 291 (60%) of these positions are expected to be entry level positions.

7. WCTC staff estimate that the proposed facility will allow the district to increase enrollment in its associate degree printing and publishing program from 75 to 165 full-time and part-time students and its advanced technical certificate desktop publishing program from 59 to 120 students by 2000-01. In addition, WCTC expects to enroll 560 students (39 FTE students) in continuing education courses related to printing by 2000-01, and 28 students in a technical diploma program in printing by 2001-02.

8. Nine other WTCS districts currently offer associate degree programs or technical diploma programs in printing or fields that involve printing, such as commercial art and graphic communications. Western, Madison, Milwaukee, Fox Valley and Northcentral technical college districts offer associate degree programs that are similar to WCTC's program. In 1997-98, a total of 1,380 students (headcount) were enrolled in these programs and an additional 1,732 students took one or more courses in the programs, but were not officially enrolled as degree or diploma seeking students. Statewide, 313 technical college students graduated with a degree or technical diploma in the area of printing in 1997-98. Since 1997-98 was the first year of WCTC's program, none of the graduates were from WCTC.

9. Fox Valley Technical College is also expanding its printing programs. The District is currently constructing a 33,100 square foot addition to an existing campus building on the Appleton campus for a new graphic arts center at a cost of approximately \$4.3 million. The addition, which will house the district's programs in printing and publishing, flexography printing,

and pulp and paper chemical technology, was approved by the district's voters in an April, 1998, referendum and by the State Board in July, 1998.

10. There is widespread agreement that printing firms are currently facing a shortage of employees which, due to the rapid growth of the industry, is expected to worsen in the future. However, there is some debate as to the skill levels and qualifications of the needed employees. Specifically, it is argued that most of the job openings in the printing industry are entry level positions which require only a high school diploma, an apprenticeship or other short-term training, and pay a relatively low wage of \$7.00 per hour on average. Since this is not the type of position that would typically attract a technical college graduate, one could argue that expansion of WCTC's program will not help to fill a majority of the available jobs. In 1998, Western Wisconsin Technical College in La Crosse suspended its one year technical diploma in printing due to low enrollment.

11. Western is currently conducting an evaluation of printing and printing-related programs offered in WTCS districts statewide. The goals of the project, which was funded through a \$45,500 grant from the State WTCS Board and \$15,200 in matching funds from Western, are to determine: the specific types of training being provided and propose standard program titles; the technology and methods used in each district; and how well the programs and courses currently being offered are meeting the needs of students and the industry. The results of the study may indicate how WTCS districts could improve, modify or expand programs to better serve the industry throughout the state and Midwest region. While the final report on the study is not expected until August, 1999, preliminary information from the districts involved would appear to support the argument that the expansion of programs for which there is significant student demand will not necessarily solve the current employment shortages facing the industry. Western staff indicate that the programs that offer training for positions in the area of print production, which require less skill and training and pay a relatively low salary, are having the most difficulty attracting students.

12. While other WTCS districts have expressed concerns regarding the proposed state funding, the expansion of WCTC's program is likely to have greatest impact on the Milwaukee Area Technical College (MATC), Milwaukee residents and printing firms located in Milwaukee. Issues that have been raised include the following:

- According to the President of MATC, approximately one-quarter of the students enrolled in MATC's printing program are from Waukesha County. As such, expansion of WCTC's program could result in a significant decline in enrollment in MATC's program, which is already below capacity.

- DOA has indicated that expansion of WCTC's program will increase job opportunities for Milwaukee area residents. However, a lack of transportation may prevent those residents who most need training from traveling to Waukesha to receive it.

- Printing firms located in Milwaukee may be at a disadvantage when competing with Waukesha firms for scarce employees. The average weekly pay, for employees at all skill levels at

Milwaukee firms is approximately 14% below that of Waukesha County firms.

13. Given the number of other WTCS districts offering printing programs and the statewide nature of the recruitment issues currently faced by the printing industry, one could argue that a statewide, rather than local, approach to address these issues may be warranted. In addition, the results of Western's evaluation of WTCS printing programs may provide some guidance as to how the needs of all Wisconsin students and printing firms would be best served. In that case, the Governor's proposal could be modified to allow the WTCS Board to distribute the funding to districts or consortia of districts for the improvement or expansion of existing printing programs based on proposals submitted to the Board. This option would allow all districts that currently offer printing programs to compete for the funds and would allow the State Board to target the monies to areas with the highest need or the best prospects for meeting industry demand.

14. Typically, the additional costs to implement or expand a technical college program are funded by the district either through unrestricted general aid, state incentive grants, internal reallocations or the property tax. State funding is not usually earmarked for a specific program on a particular campus. Further, one could argue that Waukesha is in a better financial position to support such costs than most WTCS districts. For 1998-99, WCTC's equalized value per FTE student is approximately \$7.7 million, the second highest of the 16 WTCS districts and more than one and one-half times the statewide average. In comparison, MATC's equalized value per FTE student is \$3.5 million, or approximately 81% of the statewide average. Another measure of a district's fiscal capacity is its mill rate. Under current law, property taxes levied by each WTCS district for all purposes except debt service are limited to \$1.50 per \$1,000 (or 1.5 mills) of the district's equalized property valuation. Essentially, these districts must rely on the growth in equalized property values to provide any increases in revenues. In 1998-99, three districts (Southwest, Western and Milwaukee) are at the 1.5 mill limit. At 1.18 mills, WCTC's operational mill rate is the lowest of the 16 districts.

15. WCTC staff have stated that the college has made a commitment to the printing industry to expand and improve its training program and plans to do so regardless of whether the Governor's recommendation is approved. District staff indicate that if the proposed funding is not provided, the property tax levy would have to be increased by a corresponding amount. Based on WCTC's 1998-99 levy, additional costs of \$250,000 would have resulted in a 0.83% increase in the levy, or 1 cent per \$1,000 of equalized value.

16. The largest WTCS categorical aid program is the incentive grants program, under which \$7,888,100 GPR annually is provided for grants to districts in five categories. Under current law, "new and emerging occupations" incentive grants are provided to districts for the creation or expansion of programs: (a) which address the need to train emerging skills, skills resulting from occupational or technological change or skills in occupations experiencing substantial growth; (b) for which there is significant projected long-term growth; and (c) that comply with state program priorities and plans for coordinating the efficient and cost-effective delivery of services. New and emerging occupations grants may also be awarded for the purchase of high-cost instructional equipment necessary to develop or improve new or expanding occupational training programs

which meet the same criteria under (a), (b) and (c), above. Fox Valley Technical College received a total of \$127,900 over the last two years to expand and modify its printing programs. Given the projected employment growth and the rapidly changing technology in the printing industry, it would seem that the expansion of WCTC's printing program would be well suited for this type of grant.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$250,000 in each year of the 1999-01 biennium in a new, annual appropriation for a grant to WCTC for the development of its printing program. The funding would sunset on June 30, 2001.

<u>Alternative 1</u>	<u>GPR</u>
1999-01 FUNDING (Change to Base) [Change to Bill]	\$500,000 \$0]

2. Modify the Governor's recommendation by specifying that the funds would be distributed by the State WTCS Board on a competitive basis to WTCS districts or consortia of districts which currently offer printing or printing-related programs for the improvement or expansion of those programs.

<u>Alternative 2</u>	<u>GPR</u>
1999-01 FUNDING (Change to Base) [Change to Bill]	\$500,000 \$0]

3. Maintain current law.

MO#			
	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

<u>Alternative 3</u>	<u>GPR</u>
1999-01 FUNDING (Change to Base) [Change to Bill]	\$0 -\$500,000]

arsen

AYE 7 NO 9 ABS _____

(Base) Agency: Technical Colleges -- LaCrosse Health Science Center

Recommendations:

Paper #1047:

Card 4
+ 5 a,b

Comments: Western Wisconsin Tech College is part of a consortium building a new Health Science Center that will house allied health programs, student health center, lab and research space.

A main focus is to increase the number of healthcare professionals in a region that is chronically under-served. You've supported allied health programs at UW-LaX before, when linked with UWM.

Western is maxed out against its 1.5 mill rate limit (as is Milwaukee and Southwest) so they can't raise more money locally. They say they need state money to operate this new initiative.

- Sen. Decker is expected to move Alternatives 4 + 5, partial funding with an offsetting reduction to incentive grants -- with a sunset.

Prepared by: Bob



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April 20, 1999

Joint Committee on Finance

Paper #1047

La Crosse Health Science Center (WTCS)

CURRENT LAW

Of the \$766.9 million in total revenues received by Wisconsin Technical College System (WTCS) districts in 1997-98, almost half (48.4%) was from property taxes. The remaining \$395.8 million consisted of state aid (16.5%), tuition and fees (12.6%), federal aid (7.2%) and self-financing operations and miscellaneous revenues (15.3%). State aid is provided to WTCS districts either in the form of unrestricted general aid or through categorical aids which support specific programs or services. In 1998-99, \$113.5 million is appropriated for state general aid and \$15.1 million is appropriated for various categorical aid programs.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The La Crosse Medical Health Science Consortium was formed in 1993 to enhance and strengthen primary care and medical health science education and research through collaborative programming and the use of shared resources and expertise. The Consortium consists of UW-La Crosse, Western Wisconsin Technical College (Western), Viterbo College, Gundersen Lutheran and Franciscan Skemp Healthcare/Mayo Health System. The Consortium was established to address health care provider shortages and other issues in 22 counties in a tri-state area that includes southwestern Wisconsin, northeastern Iowa and southeastern Minnesota.

2. In March, 1998, the Consortium began construction of the La Crosse Health Science Center, a 168,655 square foot facility that is expected to open in February, 2000. The Center will house the UW-La Crosse and Western allied health programs, a student health center and laboratory and research space. The student health center will be operated by UW-La Crosse and Western will pay a fee for its use by the district's students. The Center is also expected to provide distance education and telemedicine services. One of the primary purposes of the Center is to increase the

number of healthcare professionals in the counties located in the tri-state region, many of which have been designated as medically underserved areas. The consortium intends to achieve this goal, in part, through the expansion of UW-La Crosse's and Western's allied health programs based on the idea that healthcare professionals are likely to remain in the region in which they received their education.

3. The Center is expected to serve a total 530 students in 13 UW and technical college programs. The Western programs that would be housed in the Center include dental hygiene, medical laboratory technician, occupational therapy assistant, physical therapy assistant and radiography. It is anticipated that the new facility will allow Western to increase enrollments in these programs from 94 to 118 students, or approximately 25%, excluding additional students that would be served through the distance education capabilities of the Center.

4. The facility, which is located between the UW-La Crosse and Western campuses on land owned by Western, is being constructed at a total cost of \$26.8 million. Of the total, \$13.4 million in general fund supported borrowing was provided through the Wisconsin Initiative for State Technology and Applied Research (WISTAR) program. An additional \$5.4 million was provided by Western in the form of \$3.65 million in bonds, \$1.25 million for the 1.6 acres of land for the Center and movable equipment valued at \$500,000. The remaining \$8 million will be obtained through private fundraising.

5. The total annual cost of operations and maintenance for the Center has been estimated at \$1,254,700. This amount includes costs associated with such items as custodial and maintenance labor, heating, electricity, water and sewer, technology, landscaping and insurance. Since the Center will be used to varying extents by all of the consortium members, each member will be required to pay a portion of these costs based on the percentage of total space which they occupy in the building. The estimated operating and maintenance costs are based on average costs for all of the consortium partners. Costs were identified separately for clinical space and for education and research space and were based on costs incurred by the partners involved in those activities. However, the Director of the Consortium has indicated that actual costs will not be known until after the facility is operational. Similarly, the allocation of space to each Consortium member is not yet final. Since initial planning for the Center began, the estimated percentage of the total square footage of the building allocated to Western has increased from 28.6% to the current estimate of 34%.

6. In its 1999-01 biennial budget submission, the UW System requested a total of \$1,185,000 (\$770,400 GPR and \$414,600 PR tuition revenues) over the biennium to support UW-La Crosse's share of the operating and maintenance costs of the Center based on its share of the facility, which is estimated at 63%. Of the amount requested, the bill would provide \$852,000 (\$553,800 GPR and \$298,000 PR) over the biennium. According to DOA staff, this amount excludes funding for expenses associated with student health services and research as well as certain technology equipment costs. Since the Center is not expected to open until February, 2000, funding for the remaining costs would be provided for only six months in the first year of the biennium.

7. DOA staff indicate that funding associated with research space was excluded from the cost calculation because construction of the facility was funded primarily through the WISTAR program under which operating costs associated with a research facility are expected to be funded using federal and/or private grant monies. Costs associated with student health services were excluded because a student health center is already in operation on the campus and would simply move to the new location. Finally, funding for certain technology costs was not included because these costs were viewed as relating to technology infrastructure and hardware replacement expenses which are not typically designated as operating and maintenance expenses.

8. According to the Director of the Consortium, the amount budgeted for technology represents legitimate operating and maintenance costs based on UW-La Crosse's average expenditures for the maintenance of data connections. These costs include: equipment contract and service costs; distance education lines and connections; software licenses; and local area network maintenance, including switches, routers, network-related servers and student help. Not included in the estimate are expenditures for staff salaries, wiring upgrades and major equipment items such as computers and primary servers.

9. According to Western officials, the technical college's share of the total space in the Center is estimated at 34% which would result in annual operating and maintenance costs of \$426,600, or \$639,900 over the 1999-01 biennium. The WTCS Board did not include additional funds to cover these costs in its 1999-01 budget request, and the bill would not provide funds for this purpose. One could argue that if it is appropriate for the state to provide funding for the operations and maintenance costs for UW-La Crosse, similar funding should be provided for Western as the only other public institution to occupy the Center.

10. If it is determined that additional funding should be provided to cover Western's share of the cost to operate the Center, a new, annual appropriation could be created for this purpose within WTCS. If the technology costs are omitted, as they would be for UW-La Crosse under the bill, Western's share of the annual operating and maintenance costs would be estimated at \$393,700, or \$590,600 for the 1999-01 biennium.

11. WTCS districts normally use unrestricted revenues from state general aid or the property tax to support such costs. GPR funding is not typically earmarked for a specific program or expense at a particular district. One could argue that the state should not be responsible for providing GPR funds for operating expenses associated with a new building and that providing such funds would set a precedent for similar expenditures in the future.

12. While the primary source of revenue for WTCS districts is the property tax, state law limits property taxes levied by each district for all purposes except debt service to \$1.50 per \$1,000 (or 1.5 mills) of the district's equalized property valuation. In the absence of additional state aids, revenue increases for these districts are essentially limited to the growth in equalized property values.

13. Western's levy has been at the 1.5 mill limit in eight of the last ten years. During this time, the district's equalized value has increased by an average of 5.7% per year while operational costs have increased by an average of 6.5% per year. Statewide, 7.0% average annual increases in equalized valuations have offset average annual cost increases of 5.7%. According to WTCS Board staff, the cost increases are primarily attributable to teacher contract settlements and the expansion of responsibilities and activities undertaken by districts including school-to-work and youth options programs and distance education initiatives. WTCS staff also cite an increase in the number of students with disabilities and the need to keep pace with rapidly changing workplace technologies as contributing to higher costs. Western officials point out that the district has the fourth lowest annual cost per FTE student in the System at \$9,196, compared to the statewide average of \$10,281 per FTE. In each of the last eight years, Western has implemented 2% budget reductions and reallocations, approximately \$200,000 to \$400,000 per year, in order to fund high priority programs and initiatives. In 1998-99, the district reallocated a total of \$930,545.

14. Since 1995-96, property values in the Western district have begun to increase at a higher rate, an average of 7.5% per year as compared to the statewide average of 7.2%. Since the fiscal situation in the district could change, any supplemental funding for the Health Science Center could include a sunset date, which would allow the Legislature to reevaluate the need for these funds in the next biennium.

15. The largest WTCS categorical aid program is the incentive grants program, under which \$7,888,100 GPR annually is provided for grants to districts in five categories. Under one of these categories, grants are provided to districts for educational programs, courses or services that would not otherwise be established or maintained because of limitations in district fiscal capacity. This category was created in the 1987-89 state budget to assist districts that were at the 1.5 mill limit and had been restricted from raising additional revenues due to stagnant or declining property values. In the 1989-91 state budget, the statutes were modified to provide that the grants would be awarded for declines, rather than limitations in fiscal capacity. While a provision in the 1995-97 state budget restored the original language regarding "limitations" in district fiscal capacity, property values in all WTCS districts have been increasing and the Board has not awarded any grants under this category since 1991-92. WTCS Board staff have indicated that no district has requested a grant under this category for the last several years, but that the Board is likely to consider awarding a grant under this category only if the district's equalized property valuation was declining or showing very minimal growth.

16. Funding for the incentive grants program is provided in a continuing appropriation, meaning that unexpended funds are carried over into the next fiscal year. Large carryovers have occurred in most years since the program's inception in 1985-86. The amount carried over at the end of 1997-98 was \$783,000 and is estimated at \$350,000 for 1998-99. Since the program is a competitive grant program, there is no guarantee that Western would receive funding to cover its costs related to the Health Science Center even if the district applied for such a grant. However, the Committee could ensure that a portion of the incentive grant funds are used for this purpose by creating a new, annual appropriation that would be funded through a corresponding reduction in the amount appropriated for the incentive grants program.

17. In 1998-99, the property tax levies of two other WTCS districts (Milwaukee and Southwest) are also at the 1.5 mill limit. The rate of growth in equalized property valuations for these districts has been even lower than in the Western district. Since 1995-96, average annual increases in equalized values have been 6.3% for Southwest and 3.9% for Milwaukee, compared to 7.5% for Western. One could argue that legislation to provide additional funding to a specific district to alleviate budget constraints that are also faced by other districts would represent an inequitable allocation of resources.

ALTERNATIVES TO BASE

1. *Full Funding.* Create a new, annual appropriation within WTCS for Western's share of the total operating and maintenance costs of the La Crosse Health Science Center and provide \$213,300 GPR in 1999-00 and \$426,600 GPR in 2000-01 to support these costs.

<u>Alternative 1</u>	<u>GPR</u>
1999-01 FUNDING (Change to Base)	\$639,900
[Change to Bill]	\$639,900]

2. *Partial Funding.* Create a new, annual appropriation within WTCS for Western's share of the total operating and maintenance costs of the La Crosse Health Science Center, excluding certain technology costs, and provide \$196,900 GPR in 1999-00 and \$393,700 GPR in 2000-01 to support these costs.

<u>Alternative 2</u>	<u>GPR</u>
1999-01 FUNDING (Change to Base)	\$590,600
[Change to Bill]	\$590,600]

3. *Full Funding with Offsetting Reduction to Incentive Grants.* Create a new, annual appropriation within WTCS for Western's share of the total operating and maintenance costs of the La Crosse Health Science Center and provide \$213,300 GPR in 1999-00 and \$426,600 GPR in 2000-01. Delete \$213,300 GPR in 1999-00 and \$426,600 GPR in 2000-01 from the WTCS incentive grants program.

4. *Partial Funding with Offsetting Reduction to Incentive Grants.* Create a new, annual appropriation within WTCS for Western's share of the total operating and maintenance costs of the La Crosse Health Science Center and provide \$196,900 GPR in 1999-00 and \$393,700 GPR in 2000-01. Delete \$196,900 GPR in 1999-00 and \$393,700 GPR in 2000-01 from the WTCS incentive grants program.

5. *Sunset Provision.* Modify the above alternatives to specify that:

a. The new appropriation for Western's portion of the operating and maintenance costs for the Health Science Center would sunset on June 30, 2001; and

b. After June 30, 2001, the amount appropriated for the incentive grants program would be restored to the 1998-99 base level, if applicable.

6. Maintain current law.

Prepared by: Merry Larsen

MO#	4	5a	5b	
1				
BURKE	Y	N	A	
DECKER	Y	N	A	
JAUCH	Y	N	A	
MOORE	Y	N	A	
SHIBILSKI	Y	N	A	
PLACHE	Y	N	A	
COWLES	Y	N	A	
PANZER	Y	N	A	
2				
GARD	Y	N	A	
PORTER	Y	N	A	
KAUFERT	Y	N	A	
ALBERS	Y	N	A	
DUFF	Y	N	A	
WARD	Y	N	A	
HUBER	Y	N	A	
RILEY	Y	N	A	

AYE 11 NO 5 ABS 0

(Base) Agency: Technical College System

Recommendations:

Paper # Items for which no paper has been prepared:

Comments: No action needed.

Prepared by: Bob

WISCONSIN TECHNICAL COLLEGE SYSTEM

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments
3	Reestimate Federal Revenues
4	Delete Program Assistant Position
5	Reestimate Federal Indirect Cost Payments
6	Statewide Guide to the Technical College System
8	Telecommunications Retraining Program
9	Proration of State General Aid for Technical College Districts
10	State Aid for Technical Preparation Programs

LFB Summary Items to be Addressed in Subsequent Papers

<u>Item #</u>	<u>Title</u>
7	Youth Apprenticeship Curriculum Development
11	Milwaukee Area Technical College Broadcasting License

MO# apprec

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 16 NO 0 ABS 0

Workforce Development

Departmentwide

(LFB Budget Summary Document: Page 658)

No Issue Papers Have Been Prepared

WORKFORCE DEVELOPMENT

Departmentwide

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments
2	Funding Modification of 100 Position Reduction
3	Base Level Funding Reduction
4	Federal Revenue Reestimates
5	Program Revenue Reestimates
6	Administrative Services Additional Expenditure Authority
7	Allocating Pay Plan Costs
8	Final Merger Clean-up
9	Information Technology Career Development Program
10	Information Technology Support to Contractor

Workforce Development

Employment, Training and Vocational Rehabilitation Programs

(LFB Budget Summary Document: Page 664)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	Governor's Work-Based Learning Board (Paper #1055)
1	Governor's Work-Based Learning Board -- Youth Apprenticeship Training Grants (Paper #1056)
1	Governor's Work-Based Learning Board -- Self-Paced Youth Apprenticeship Program (Paper #1057)
1	Governor's Work-Based Learning Board -- Youth Apprenticeship Curriculum Development (Paper #1058)
1	Technical College Study Grants (Paper #1059)
1	Governor's Work-Based Learning Board -- Support to Career Counseling Centers (Paper #1060)
1	Governor's Work-Based Learning Board -- Southeast Wisconsin Youth Employment Program (Paper #1061)
1	Transfer of Federal Tech-Prep School-to-Work Funding (Paper #1062)
1	Transfer At-Risk Youth School-to-Work Program to DWD (Paper #1063)
2	Adult Apprentice Coordinators (Paper #1064)
9	Vocational Rehabilitation -- Rehabilitation Service Funding (Paper #175)
10	Wisconsin Conservation Corps -- Funding for Crews (Paper #1065)
12	Wisconsin Conservation Corps -- Education Voucher Increase (Paper #1066)

(Gov) Agency: DWD -- Governor's Workplace Learning Board

Recommendations:

Card 1

Paper #1055: Alternative 3

Comments: The governor proposes creating a new board to coordinate school-to-work, youth apprenticeship training grants and career counseling.

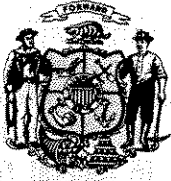
Darned if the new board doesn't look a lot like the Wisconsin Technical College System board.

Alternative 3 accepts the governor's logic that these programs could use better coordination. But unlike the governor's proposal, it does not create a new layer of bureaucracy. It uses the existing structure of the WTCS board. (see points 11 and 12)

DPI, Tech College presidents and some representatives of labor (Sheila Cochran of the Milwaukee County Labor Council) support Alternative 3.

If three fails, current law (Alternative 4) is preferred.

Prepared by: Bob



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 1, 1999

Joint Committee on Finance

Paper #1055

TANF

Governor's Work-Based Learning Board (DWD -- Employment, Training and Vocational Rehabilitation Programs)

[LFB 1999-01 Budget Summary: Page 664, #1 and Page 694, #33]

CURRENT LAW

The school-to-work transition initiative is characterized by programs and curricular changes which are intended to better prepare secondary school pupils to enter the workforce, whether immediately following high school graduation or after some type of post-secondary education. Generally, school-to-work programs are aimed at: encouraging students to plan for a career more thoroughly and at an earlier age; acquainting students with alternatives to a baccalaureate degree, such as associate degree programs and apprenticeships; and forging partnerships between K-12 schools and technical colleges, universities and businesses in order to provide distinct pathways from school to the workforce.

Wisconsin's school-to-work initiative is comprised of six major components: (1) local partnerships; (2) youth apprenticeships; (3) career counseling centers; (4) technical preparation; (5) youth options; and (6) at-risk youth programs. These programs are administered primarily by the Department of Public Instruction (DPI), the Department of Workforce Development (DWD) and the Wisconsin Technical College System (WTCS). Federal, state and local funds support the various components. DPI's programs focus on career exploration and planning as well as work- and school-based learning. DWD coordinates development of youth apprenticeship programs and career counseling centers. WTCS and DPI coordinate technical preparation programs.

The Division of Connecting Education and Work (CEW) in DWD is required to plan, coordinate, administer and implement the Department's workforce excellence initiatives, programs, policies and funding, and any other employment and education programs the Governor assigns it by executive order. The Division administers the youth apprenticeship and

career counseling center programs. CEW also is fiscal and administrative agent for the federal School-to-Work Opportunities Act (STWOA) grant which provides funds to states and local partnerships to implement school-to-work programs; however, the grant ends in federal fiscal year 1998-99. The Division has base level funding of \$6,336,600 FED, 6.65 FED positions, \$1,847,200 GPR, 6.7 GPR positions, \$545,200 PR and 1.65 PR positions.

The Governor's Council on Workforce Excellence was authorized in 1995 Act 27. The Council was directed to oversee the planning, coordination and administration of various employment and education programs including the federal STWOA and the youth apprenticeship program. The Council has responsibilities under the federal Job Training Partnership Act and provides strategic direction and policy coordination for the state's workforce development activities including Job Centers, incumbent workforce training, school-to-work, labor market information, labor shortages and moving welfare recipients to work.

GOVERNOR

Eliminate the Division of Connecting Education and Work and transfer responsibility for administering the school-to-work, youth apprenticeship training grants and career counseling center programs to the newly-created Governor's Work-Based Learning Board (Board) that would be attached to DWD for administrative purposes. The current positions, funding and appropriations would be transferred to the Board. The Board would also receive additional positions and funding to administer a local youth apprenticeship program, a self-paced youth apprenticeship training program, a southeast youth employment program, the technical preparation program, a grant program for technical college students and the school-to-work program for at-risk children. The sources of additional funding would be GPR, federal Carl Perkins Act funds received through the WTCS Board and federal temporary assistance to needy families (TANF) funds received through DWD's Division of Economic Support (DES). In total, including transferred base level funding and positions, the Board would be provided \$3,238,400 GPR and \$5,575,300 PR in 1999-00, \$4,388,400 GPR and \$8,678,000 PR in 2000-01, and 6.7 GPR and 10.1 PR positions in each year.

DISCUSSION POINTS

1. Under the bill, Governor's Work-Based Learning Board would be created and attached to DWD for administrative purposes. The Board would consist of nine members including: (a) the Governor; (b) the State Superintendent of Public Instruction; (c) the President of the WTCS Board; (d) the Director of the WTCS Board; (e) the Secretary of Workforce Development; (f) the administrator of the Division of Workforce Excellence in DWD; (g) a representative of organized labor; (h) a representative of business and industry; and (i) a member who is not a public officer or a representative of business or labor. The Governor would serve as chairperson of the Board and would appoint the representatives of business and labor and the other member who is not specifically designated. The Board would have an unclassified executive director position who

would be responsible for the Board's administrative functions. The executive director would be paid at the level of executive salary group 3 and would be appointed by and serve at the pleasure of the Governor.

2. The Board would have responsibilities and authority similar to the Division of Connecting Education and Work in DWD. Consequently, it would be required to plan, coordinate, administer and implement youth apprenticeship, school-to-work and work-based learning programs and other employment and educational programs the Governor may assign to the Board by executive order. The Board would be authorized to issue a general or special order waiving limitations placed on the use of state employment and education funds if it found that the waiver would promote coordination of employment and education services. The Board would also be required to promulgate administrative rules to administer the programs under it.

3. The Board would be responsible for administering the following programs and associated funding: (a) youth apprenticeship training grants (\$940,300 GPR in 1999-00 lapsed from the 1998-99 appropriation); (b) local youth apprenticeship program (\$1,150,000 GPR annual youth apprenticeship training grant base funding); (c) technical college study grants (\$1,100,000 GPR in 1999-00 and \$2,200,000 GPR in 2000-01); (d) federal Carl Perkins Act funds from DPI (\$2,150,000 PR, including \$144,900 PR and 3.0 PR positions, annually); (e) career counseling centers program from CEW (\$300,000 PR from UI interest and penalties account); (f) self-paced youth apprenticeship program (\$2,750,800 PR in 1999-00 and \$5,453,300 PR in 2000-01, including \$48,300 PR and 1.0 PR position annually in federal TANF funds); (g) southeast youth employment program (\$323,300 PR in 2000-01 in federal TANF funds); and at-risk youth program from DPI (\$300,000 GPR annually). These programs and associated funding will be addressed in separate papers.

4. Funding of \$688,400 GPR and 6.70 GPR positions would be transferred from the CEW to the Board and funded through the general program operations appropriation to administer the Board's programs. Funding of \$143,500 PR and 1.65 PR positions would annually be transferred with the technical college school-to-work funding transfer appropriation. The unencumbered balance in the current appropriation account would be transferred to the Board's appropriation on the effective date of the bill. In addition, 4.45 FED positions that are currently funded by a federal STWOA grant, which ends after 1998-99, would be transferred and funded with federal TANF funds. The monies would be transferred from the Division of Economic Support and placed in a newly created program revenue appropriation for the transfer of public assistance funds. A total of \$231,000 PR in 1999-00 and \$307,900 PR in 2000-01 and 4.45 PR positions each year would be provided. Monies in the public assistance funds appropriation would be from the DES federal block grant appropriation and be used for work-based learning programs for youths that are eligible to receive TANF.

In total, the Board would be provided \$3,238,400 GPR and \$5,431,800 PR in 1999-00, \$4,388,400 GPR and \$8,534,500 in 2000-01, and 6.7 GPR and 8.45 PR positions in each year. The following table shows the funding for the Governor's Work-Based Learning Board by source.

Governor's Work-Based Learning Board

	<u>1999-00</u>	<u>2000-01</u>
GPR		
Transfer from Division of Connecting Education and Work	\$688,400	\$688,400
Transfer from Youth Apprenticeship Training Grants (in DWD)	1,150,000	1,150,000
Transfer from At-Risk Youth Program (from DPI)	300,000	300,000
Proposed Funding for Grants for WTCS Students	<u>1,100,000</u>	<u>2,200,000</u>
Subtotal	\$3,238,400	\$4,338,400
PR		
Current WTCS Carl Perkins Funds	\$143,500	\$143,500
Transfer from UI Interest and Penalty Appropriation	300,000	300,000
Carl Perkins Funding Transferred from DPI and WTCS	2,150,000	2,150,000
TANF Funding Transferred from DES	<u>2,981,800</u>	<u>6,084,500</u>
Subtotal	\$5,575,300	\$8,678,000
TOTAL	\$8,813,700	\$13,016,400

5. The Division of Connecting Education and Work, including statutory authority for the Division, would be eliminated. The current GPR appropriations for the Division's general program operations and youth apprenticeship training grants and DPI's appropriation for the at-risk school to work program would be transferred to the Board. In addition, appropriations would be created for local youth apprenticeship grants (GPR), technical college study grants (GPR), career counseling center grants (PR), TANF funded work-based learning programs (PR), and interagency and intra-agency programs.

6. Current responsibilities of the Governor's Council on Workforce Excellence (Council) related to school-to-work, youth apprenticeship and related programs would also be eliminated to reflect creation of the Governor's Work-Based Learning Board to assume similar duties. The Council would no longer be required to oversee the planning, coordination, administration and implementation of employment and training programs provided under the federal STWOA and the youth apprenticeship or other apprenticeship programs for which DWD provides financial assistance. The Council would also no longer be required to recommend occupations for the youth apprenticeship program, statewide skill standards for programs under STWOA and a statewide school-to-work program for children at-risk. The Council, along with the Technical College System Board and DPI, would assist the Work-Based Learning Board in providing Board programs.

7. As noted, the current school-to-work program includes local partnerships, youth apprenticeships, career counseling centers, technical preparation, youth options and at-risk youth programs.

- Local partnerships develop and implement school-to-work programs at the local level. Local programs must meet federally established requirements and state standards established

by DPI, DWD and the WTCS Board. Local partnerships can include employers, school districts, cooperative educational service agencies (CESAs), post-secondary educational institutions, WTCS districts, labor organizations, private industry councils (PICs), chambers of commerce, local government agencies, parent organizations, teacher organizations and student organizations. Local programs are required to have components related to: (a) school-based learning; (b) work-based learning; and (c) activities connecting work-based and school-based components. Wisconsin has 31 local partnerships that provide local school-to-work programs.

- The youth apprenticeship program provides high school juniors and seniors with the option of enrolling in a two-year program combining academic classroom coursework with on-the-job training in specific occupational areas. CEW administers the program with the assistance of DPI and the WTCS Board. Staff from the three agencies work with schools, WTCS districts, employers and labor from local steering committees to establish local programs. Schools and WTCS districts provide the academic component while employers hire youth apprentices and provide on-the-job training.

- Career counseling centers provide pupils with access to comprehensive career education and job training information, including information regarding technical college programs. The centers also assist pupils in locating apprenticeship and other work experience opportunities related to education. Career counseling centers are operated by teams that include groups such as PICs, WTCS districts, school districts, chambers of commerce, nonprofit organizations, business and labor.

- Tech-prep programs are designed to increase high school students' awareness of alternatives to four-year degree programs, better prepare students for technical college and the workforce and improve curriculum and instruction. Tech-prep programs must consist of a sequence of courses designed to allow high school pupils to gain advanced standing in the WTCS district's associate degree program upon graduation from high school.

- Under youth options, a high school pupil can choose to enroll in courses at a two-year or four-year UW campus, a WTCS school, a participating private, nonprofit college or a participating tribally controlled college located in the state. Private institutions and tribally controlled colleges must notify the State Superintendent of DPI of their intent to participate in the program and comply with the pupil nondiscrimination statute.

- The at-risk youth school-to-work program was created in 1997 to provide a grant to a nonprofit agency in Milwaukee County for an innovative school-to-work program for children-at-risk.

8. The federal STWOA is designed to establish local systems that offer opportunities for all students to participate in performance-based education and training programs that will prepare the students for first jobs in high-skill, high wage careers and increase their opportunities for further education. The STWOA provides grants to states and local partnerships to implement school-to-work programs. However, states are expected to use the funding for implementation of

school-to-work programs and to leverage other sources of state and federal funding for ongoing operations costs. Wisconsin was one of the first eight STWOA implementation states and was awarded a federal grant of approximately \$27 million over the five-year period from October 1, 1994, to September 30, 1999. The STWOA grants received by Wisconsin for each federal fiscal year were: (a) \$4.5 million in 1994-95; (b) \$9.34 million in 1995-96; (c) \$6.75 million in 1996-97; (d) \$4.5 million in 1997-98; and (e) \$2.25 million in 1998-99. The federal STWOA grant ends in 1998-99, no STWOA grant monies will be provided to Wisconsin after federal fiscal year 1998-99.

9. Some labor market analysts are concerned that the lack of skilled workers will hinder economic growth in the state. The school-to-work program was created to provide high-skill technical training for students to increase the state's skilled labor force to address this concern. Through the work-based component of the program, students can acquire skills that will improve their future employability while meeting the specific skill needs of employers. According to DWD, the federal STWOA grant allowed Wisconsin to expand the youth apprenticeship program from 348 students in two industry areas to the current level of about 1,400 in eighteen industry areas. However, enrollment in the program has leveled off at the 1,400 student level.

10. The Governor's Work-Based Learning Board would consolidate school-to-work administration and resources that are divided among DWD and DPI. Supporters of the Board concept believe that it would result in better coordination of services, more efficient use of resources and elimination of duplication of activities. The new Board members would bring skills that could improve operation of both the school-based and work-based components of the program. The Board would also act as a state-level forum for building consensus among the different program partners and for developing modifications to make the program operate more effectively. In addition, the elimination of federal STWOA funding is likely to cause local partnerships and school districts to discontinue or limit the work-based components of school-to-work, such as the youth apprenticeship program. By consolidating funding sources for school-to-work, the Board could continue funding for work-based programs and elevate the attention given to this component.

11. However, those opposed to the Board concept would argue that rather than streamlining bureaucracy, the Board would create another level. Attaching the Board to DWD could result in a shift of resources from school-based learning programs to work-based learning programs. The 1997-99 budget that was introduced by the Governor included provisions that would have consolidated administration and the school-to-work activities and 14.0 positions in CEW. However, the Legislature deleted the administrative provisions and transferred only 4.6 DPI positions with specific school-to-work responsibilities to the Division. It was argued that all school-to-work programs include an education component and most include a work component making it desirable to maintain the existing structure to provide significant input from both educational and workforce agencies.

12. An alternative to the Governor's proposal which would not create an additional administrative level would be to transfer the functions and programs currently administered by CEW, as well as any new programs created in the bill, to the State WTCS Board. The membership of the WTCS Board is substantially similar to the proposed Board in that WTCS Board members

include the State Superintendent of DPI, the Secretary of DWD, an employer representative and an employe representative. In addition, the WTCS Board includes the President of the Board of Regents of the UW System, a farmer representative, a WTCS student and six public members. Except for the ex-officio members, WTCS Board members are appointed by the Governor. Arguably, since the WTSC Board is already involved in both school- and work-based programs, transferring responsibility for the school-to-work programs to the WTCS Board would result in a more balanced approach to these programs. WTCS districts are currently involved in developing youth apprenticeship curriculum, offering the academic component of youth apprenticeship training, coordinating technical preparation programs with local school districts and providing services and training for businesses. Because of its connections to secondary and other post-secondary education providers, businesses and organized labor, some have argued that the WTCS Board would provide leadership and coordination in the administration of school-to-work programs more efficiently and effectively than could a new board. Greater involvement by the WTCS Board could also result in increased awareness of technical colleges by secondary students and subsequently, increased enrollment in technical colleges, which has been a goal of the administration.

13. According to a study published in 1999 by the Wisconsin Policy Research Institute, the school-to-work program in the state has had almost no demonstrable impact on the state's schools or economy. The study was conducted by two UW-Milwaukee professors who analyzed the program performance for recent years. The study indicates that "good things have been done" benefiting individual students and employers, but the overall impact has not been significant. School-to-work was shown to have no identifiable impact on the academic learning of K-12 students and involved too few students in its core work-based activities to register a significant impact on Wisconsin's work force. The study does indicate that a tangible accomplishment of the program was graduating 347 students from apprenticeship programs and suggests that, in the future, school-to-work should be a much more limited program focused on activities like apprenticeships. From this view, it could be argued that the Board should not be created and, instead, CEW should focus on using the current youth apprenticeship funding to increase participation in the program.

14. However, others argue that school-to-work activities have had the following impact: over 30,000 students have participated in job shadowing activities; 80% of 11th grade students have developed career plans; about 100,000 students have participated in integrated and applied academic and occupational courses; and 29,000 students have participated in some form of work-based learning with 12,000 employers. Also, some believe that increased enrollment in technical colleges is related to school-to-work activities. From this view, it could be argued that establishing the Board would be a means of building on current school-to-work activities and to consolidate administration and funding to expand the statewide impact of the program.

15. As noted, this paper addresses the transfer of positions and administrative responsibilities from CEW to the Work-Based Learning Board. Individual programs and associated funding are addressed in separate papers. If the Committee wishes to approve the transfer, it would involve an annual transfer of \$688,400 GPR and 6.7 GPR positions and 4.45 FED positions currently funded with STWOA monies that would be converted to PR and funded with federal TANF monies through a separate PR appropriation. Funding of \$231,000 PR in 1999-00 and

\$307,900 PR in 2000-01 would be provided. It should be noted that the current source of FED funding for the 4.45 positions is eliminated after 1998-99. Consequently, if TANF funding is not provided then another funding source would be necessary to fund existing positions. As an alternative, GPR funding could be provided. The bill would also transfer \$143,500 PR and 1.65 PR positions annually. The funding source is federal Carl Perkins money transferred from WTCS.

16. If the Board is created, a number of modifications to the bill could be considered.

- The bill would not transfer 2.2 FED positions funded with federal Wagner-Peyser funds that are current CEW staff. The administration indicates that this was inadvertent. Consequently, the Committee may wish to transfer \$105,800 in 1999-00 and \$106,100 in 2000-01 and 2.2 positions annually and create a program revenue appropriation under the Board.

- Auxiliary services and federal funds appropriations should be created under the Board's appropriation structure.

- A number of accounting adjustments need to be made to reflect the transfer of CEW functions and positions to the Board. These adjustments include deleting expenditure authority and appropriations under CEW to reflect elimination of the Division. The Board's appropriations structure should be modified to parallel the CEW appropriation structure. Positions and funding that were transferred should be deleted from the appropriate appropriation.

ALTERNATIVES

1. Approve creation of the Governor's Work-Based Learning Board and annually transfer \$688,400 GPR, 6.7 GPR positions, \$143,500 PR and 1.65 PR positions, and related appropriations under the Board. In addition, delete 4.45 FED positions and provide \$231,000 PR in 1999-00 and \$307,900 PR in 2000-01 and 4.45 PR positions annually. Create a program revenue appropriation for TANF funding.

2. Approve the Governor's recommendation with the following adjustments:

a. Provide \$103,800 PR in 1999-00, \$106,100 PR in 2000-01, 2.20 PR positions and delete 2.20 FED positions and create a program revenue appropriation under the Board to transfer 2.20 positions from CEW to the Board.

Alternative 2a	PR	FED	TOTAL
1999-01 FUNDING (Change to Bill)	\$209,900	\$0	\$209,900
2000-01 POSITIONS (Change to Bill)	2.20	- 2.20	0.00

b. Delete \$231,000 PR in 1999-00, \$307,900 PR in 2000-01 and 4.45 PR positions each year and provide \$231,000 GPR in 1999-00, \$307,900 GPR in 2000-01 and 4.45 GPR positions each year.

<u>Alternative 2b</u>	<u>GPR</u>	<u>PR</u>	<u>FED</u>	<u>TOTAL</u>
1999-01 FUNDING (Change to Bill)	\$538,900	-\$538,900	-\$538,900	-\$538,900
2000-01 POSITIONS (Change to Bill)	4.45	- 4.45	0.00	0.00

c. Adjust the Department's appropriations to reflect elimination of CEW, modify the Board's appropriations to parallel CEW's and create an auxiliary services and federal funds appropriation under the Board.

3. Modify the bill to delete the proposed Governor's Work-Based Learning Board and, instead, transfer the proposed functions of the Board to the WTCS Board. Provide \$103,800 PR in 1999-00 and \$106,100 PR in 2000-01 and 2.20 PR positions beginning in 1999-00 to transfer 2.20 positions from CEW to WTCS. Delete \$143,500 PR and 1.65 PR positions annually and provide 1.65 FED positions beginning in 1999-00 to reflect this change.

<u>Alternative 3</u>	<u>PR</u>	<u>FED</u>	<u>TOTAL</u>
1999-01 FUNDING (Change to Bill)	-\$77,100	\$0	-\$77,100
2000-01 POSITIONS (Change to Bill)	0.55	1.65	2.20

4. Maintain current law.

<u>Alternative 4</u>	<u>PR</u>	<u>FED</u>	<u>TOTAL</u>
1999-01 FUNDING (Change to Bill)	-\$538,900	\$538,900	\$0
2000-01 POSITIONS (Change to Bill)	- 4.45	4.45	0.00

Prepared by: Ron Shanovich

MO# 413

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 7 NO 9 ABS _____

WORKFORCE DEVELOPMENT --
EMPLOYMENT, TRAINING AND VOCATIONAL REHABILITATION PROGRAMS

Governor's Work-Based Learning Board
[Paper #1055]

Motion:

Move to expand the membership of the Governor's Work-Based Learning Board to include two additional public members who were not public officers or representatives of business or labor but who would have experience in secondary vocational education and work-based learning.

Note:

Under AB 133, the Governor's Work-Based Learning Board would be created and attached to DWD for administrative purposes. The Board would consist of nine members including: (a) the Governor; (b) the State Superintendent of Public Instruction; (c) the President of the WTCS Board; (d) the Director of the WTCS Board; (e) the Secretary of Workforce Development; (f) the administrator of the Division of Workforce Excellence in DWD; (g) a representative of organized labor; (h) a representative of business and industry; and (i) a member who is not a public officer or a representative of business or labor. The Governor would serve as chairperson of the Board and would appoint the representatives of business and labor and the other member who is not specifically designated. The Board would have an unclassified executive director position who would be responsible for the Board's administrative functions.

The Board would have responsibilities and authority similar to the Division of Connecting Education and Work in DWD. Consequently, it would be required to plan, coordinate, administer and implement youth apprenticeship, school-to-work and work-based learning programs and other employment and educational programs the Governor may assign to the Board by executive order. The Board would be authorized to issue a general or special order waiving limitations placed on the use of state employment and education funds if it found that the waiver would promote coordination of employment and education services. The Board would also be required to promulgate administrative rules to administer the programs under it.

EMAS 10/16

MO#

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

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