

Fiscal Estimate - 2003 Session

Original Updated Corrected Supplemental

LRB Number 03-2123/2	Introduction Number AB-339	
Subject Technical college district spending freeze		
Fiscal Effect		
State: <input checked="" type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input checked="" type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
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Fiscal Estimate Narratives
WTCS 5/23/2003

LRB Number	03-2123/2	Introduction Number	AB-339	Estimate Type	Original
Subject					
Technical college district spending freeze					

Assumptions Used in Arriving at Fiscal Estimate

1. WTC districts rely on multiple funding sources to support their operations.
2. WTCS Board is committed to providing the maximum number of educational opportunities and maintaining the WTCS responsibility for training the state workforce by using enrollment caps as a financial management tool of last resort.
3. WTCS resident tuition funds approximately 15% of postsecondary/vocational adult course costs and 33% of liberal arts transfer course costs.
4. WTCS FTE enrollments increased 12% in the past two years. WTC districts estimate FTE enrollment increases of 5% in 2003-04.
5. Expected enrollment increases are likely to increase WTC district operating costs by \$25 to \$30 million in 2003-04. Enrollment-driven instructional cost increases can only be avoided by capping or reducing enrollments.
6. WTC districts have contractual obligations for services (such as utilities, insurance, healthcare) that will require expenditure increases in both years of the 2003-05 biennium.
7. WTC district budgets for 2003-05 already contain provisions to cut or reallocate approximately \$31 million, to eliminate or reduce 90 programs and to reduce staff and faculty by as much as 230 FTE positions.
8. There are approximately 8,100 students on waiting lists for WTCS programs in such high need areas as nursing, surgical technology, protective services, dental hygiene and electric power distribution.
9. Distributions of state aids to WTC districts are based, in part, on district expenditures.
10. The WTCS expects reductions in federal and state revenues to WTC districts in the 2003-05 biennium. Such reductions should be considered in determining the fiscal effect of an expenditure cap such as the one proposed in 2003 AB 339.

Long-Range Fiscal Implications

If enacted, 2003 AB 339 would cap WTC district expenditures in 2003-04 and 2004-05 at 2002-03 levels, excluding debt service on debt issued prior to passage of AB 339.

Given that the WTCS Board views enrollment caps as a fiscal management tool of last resort, and since AB 339 would bar WTC districts from increasing spending over the biennium to cover increased costs from rising enrollments and fixed costs (see assumptions), WTC districts would have to reduce spending in other areas to cover these costs. As noted, WTC district budgets for 2003-05 already contain provisions to cut or reallocate approximately \$31 million, to eliminate or reduce 90 programs and to reduce staff and faculty by as much as 230 FTE positions in response to less than needed revenue growth. Since an expenditure cap is the equivalent of zero revenue growth, further eliminations or reductions in WTCS programs and staff levels would be needed if AB 339 were enacted. As a result, waiting lists for high demand, high skill, and typically-highest cost programs, are likely to increase in size and average duration.

To avoid exceeding 2002-03 spending levels, physical plant construction projects that were to be debt financed, but for which debt was not issued prior to enactment of AB 339, will likely be postponed or cancelled permanently - even if they have already been approved by voter referendum. Planning and development costs for these projects would be forfeit.

In addition, planned equipment and technology upgrades, approved by local industry advisory councils, would likely be postponed or cancelled - making it difficult for WTC students to gain hands-on experience and training on the equipment used in the workplace.

WTC districts may also have to decline or not pursue outside funding from private entities or the federal government if AB 339 were enacted. Because these funds typically must be spent within specified time ranges and used for specific purposes, WTC districts could not use these dollars to support on-going college operations. To stay within the 2002-03 spending levels, it is unlikely that WTC districts would initiate new projects, the funding of which would have to be offset by further reductions in current activities and staffing.

To maintain spending at 2002-03 levels, despite an expected reduction in state support (see assumption #10), WTC districts will have to rely on other funding sources - including property tax and federal revenues. AB 339 does not limit WTC district revenue sources or levels.